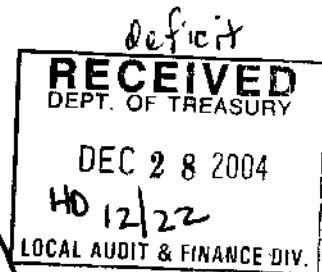


CITY OF LANSING

33-2070

2004 Comprehensive Annual Financial Report

FOR
FISCAL YEAR ENDED JUNE 30, 2004



TONY BENAVIDES, *Mayor*
GLENN KIRK, *Director of Finance*

Prepared by:
Department of Finance

LANSING CITY GOVERNMENT
2004

MAYOR
TONY BENAVIDES

CLERK
DEBBIE MINER

DISTRICT COURT JUDGES
PATRICK F. CHERRY
CHARLES F. FILICE
AMY KRAUSE
FRANK J. DELUCA
LOUISE ALDERSON

AT LARGE
JOAN BAUER
LARRY MEYER
BRIAN JEFFRIES
CAROL WOOD

CITY COUNCIL

BY WARDS
1st Ward – HAROLD LEEMAN
2nd Ward – SANDRA ALLEN
3rd Ward – RANDY WILLIAMS
4th Ward – GENEVA SMITH

OFFICERS

City Assessor	David Tijerina
Interim City Attorney	John M. Roberts
City Treasurer	Jill Rhode
Executive Assistant to the Mayor	David M. Wiener
Finance, Director of	Glenn Kirk
Fire Chief	Gregory Martin
Human Relations & Community Services, Interim Director of	Willard K. Walker
Internal Auditor	Gregory J. Koessel
Management Services, Interim Director of	Marty Riel
Parks & Recreation, Director of	Murdock Jemerson
Personnel, Director of	Nancy Cunningham
Planning & Neighborhood Development, Interim Director of	James A. Ruff
Police Chief	Mark Alley
Public Service, Director of	David A. Berridge

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

RECEIVED
DEPT. OF TREASURY

DEC 28 2004

LOCAL AUDIT & FINANCE DIV.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Lansing, Michigan	County Ingham
Audit Date 6/30/04	Opinion Date 11/19/04	Date Accountant Report Submitted to State: 12/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) PricewaterhouseCoopers LLP			
Street Address 400 Renaissance Center		City Detroit	State MI
Accountant Signature <i>PricewaterhouseCoopers LLP</i>		ZIP 48243-1507	Date 12/17/04

City of Lansing

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FINANCE DEPARTMENT

831 City Hall, 124 W. Michigan Ave.
Lansing, Michigan 48933
(517) 483-4500

Tony Benavides, Mayor

November 19, 2004

Council President Joan Bauer
and Council Members
10th Floor City Hall
Lansing, Michigan 48933-1694

Dear President Bauer and Council Members:

We are pleased to submit the comprehensive annual financial report of the City of Lansing, Michigan for the fiscal year ended June 30, 2004. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations government wide and of the various funds of the City. This management assurance is supported by a comprehensive system of internal controls designed to reasonably ensure that assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of these financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment, and monitoring and review processes which are communicated throughout City operations. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management Discussion and Analysis and should be read in conjunction with it. The Management Discussion and Analysis can be found immediately following the Independent Auditor Report

The financial reporting entity (the City) includes all of the funds and of the primary government (i.e., the City as legally defined), as well as its blended component units. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. The Lansing Building Authority, the Tax Increment Finance Authority and the Brownfields Redevelopment Authority are blended component units. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, is reported as a discretely presented component unit.

The City provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, sewers, and infrastructure; recreational activities and support for human services and cultural events.

Serving as Michigan's capital since 1848, Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (the "Home Rule City Act"). The City is located in the lower middle of Michigan's lower peninsula and operates under a strong Mayor form of government established by 1978 Charter revision. It is a mature core City with a population of 119,286 according to revised 2000 Census figures.

"Equal Opportunity Employer"

City of Lansing

ECONOMIC CONDITION AND OUTLOOK

Today, as with much of the past decade, Lansing is the number one passenger car assembly site in North America-the "Car Capital". Through regional economic development efforts and incentives, it has helped to secure this position with 2001 construction of the General Motors (GM) Grand River Assembly Plant, a new GM stamping plant, and ongoing construction of the new GM Lansing Delta Assembly Plant. These new high technology manufacturing centers are considered industry models, replacing facilities with roots that are more than 100 years old and helping to secure Lansing's employment and economic base well into the new century. Enhancing economic and employment prospects, as well as GM's competitive position, Lansing continues to work with the Company and neighboring Delta township to attract and house secondary and tertiary sequencing suppliers.

Unlike many other capital goods manufacturing centers, Lansing's economy is multi-faceted, helping to shield the area from some of the more pervasive cyclical trends associated with a strictly manufacturing based economy. As the State Capitol, by Constitution, the principle offices of all State Departments must be located in Lansing. State government has partnered with Lansing on numerous economic development projects, attracting attendant associations and vendors seeking to do business with the State. Lansing is adjacent to Michigan State University, a land grant institution with a community service mission, and the largest of the "Big Ten" Universities. Two Lansing hospitals, employing more than 8,000 people, have emerged as regional health care centers and both are rated among the top hospitals in the country in several medical specialties. Indicative of the relative stability of Lansing's economy, while national unemployment exceeded 6% and Michigan statewide unemployment was 6.8% in June of 2004, Lansing unemployment was 5.0 % and the second lowest of Michigan's 16 reporting regions.

Economic Development: Lansing makes strategic use of a "toolbox" of development and redevelopment incentives and partnerships, and is continuing a decade of success in attracting investment and reinvestment in industrial, commercial and housing sectors. Major ongoing projects include:

-Boji Development. This project is now nearing completion and will provide 100,000 square feet of privately owned office space near the State Capitol. The State of Michigan will relocate some 700 employees to Lansing's downtown area, including a portion of this facility. Through its Building Authority, the City issued \$19 million in bonds for an adjacent 1,230 space parking ramp. The developer and nearby businesses will guarantee lease for most spaces for the 25 year life of these bonds. Bonds were issued in taxable and non-taxable series and were rated Aaa from Moody's Investor Services and AAA by Standard and Poors Corporation. The City commitment is conservatively expected to be self-funding, with new property tax revenue accruing to the City's Tax Increment Finance Authority (TIFA), once relatively minor Brownfields restoration (See "Prudden Development" below.) commitments are met. A Core Communities Initiative grant and loan from the State is assisting with this project.

-Prudden Development. As a core City, Lansing's growth has been restricted by the lack of significant parcels of undeveloped land, and by the higher costs associated with restoration of obsolete sites ("brownfields"). Public Act 381 of 1996 provides for the capture of increased tax value from redevelopment of brownfield sites to reimburse developers for costs associated with such restoration, and Lansing is making extensive use of this redevelopment tool. In 1998, the City, in partnership with a private developer, received a Michigan Transportation Economic Development grant for new road service to an abandoned factory facility (Prudden-Motor Wheel) on the City's Northeast side. The City leased a portion of this facility to serve as a North Police Precinct which was intended to act as a linchpin to a major redevelopment effort. A significant local engineering and consulting firm, and elements of Lockheed-Martin Corporation relocated to the site.

With the success of the first phase of this development, construction is proceeding on renovation of a four story factory building on the site to 110 loft style apartments at an approximate cost to developers of \$1.32 million. The project also includes 120 new luxury rental units on the site at an investment of \$8.2 million, and a

City of Lansing

further 60,000 square foot office development represents an investment of \$2.5 million. The City is providing for brownfields recapture under P. A. 381 for these projects. The State of Michigan is providing credits against its Single Business Tax (SBT) to assist the project.

-Boys Training Center Development: A 25 acre site which was formerly the State of Michigan's Boys Training School was purchased by the City, and subsequently sold to the Burton-Katzman Company which is now constructing some 200 units of private market based housing adjacent to Lansing's Eastern and Catholic Central High Schools and Sparrow Hospital. Representing some \$27 million in private development, the project is assisted by a brownfield recapture agreement for environmental and site utility costs. The City, through the Lansing Brownfield's Redevelopment Authority (LBRA), issued \$2,225,000 in bonds to support this project in August, 2004.

These Bonds were rated Aa3 by Moody's Investor Services, and AA+ by Standard and Poors Corporation, reaffirming Lansing's bond rating as one of the highest in Michigan.

-GM Lansing Delta Assembly Plant. Construction is now underway and expected to be completed for production by the Spring of 2006. This project is facilitated by an unprecedented intergovernmental agreement between Lansing and adjacent Delta Township under Michigan Public Act 425. The agreement conditionally transferred 1000 acres from Delta Township to the City for twenty-five years, with optional renewal, and provides for sharing of property tax revenue and services. All income tax revenue will accrue to Lansing, while property taxes will be split between the two entities. Subsequent to the agreement, Lansing provided real property tax abatement of 50% of the cost of plant construction, and 100% of new plant equipment under Michigan Public Acts 198 and 328. Offsetting these abatements, GM agreed to pay an Infrastructure Recovery and Service payment to the City. It should be noted, that the facility under construction and the new stamping plant which has already been completed at the site utilize only about 300 acres, leaving significant space for future expansion.

Despite broad scale development success and low relative unemployment, like much of the industrial Midwest Lansing experienced continued challenges in FY 2004. Such challenges were largely attributable to the slow pace of economic recovery elsewhere in Michigan, and State government's responses to resulting revenue shortfalls. A mid-year reduction in State Revenue Sharing of \$1.2 million was offset through maintaining vacancies occurring through position turnover, reduced expenditures for non-essential capital projects, and control and monitoring of internal operating costs. Despite shortfalls in income tax revenues from original estimates, attributable to a hiring moratorium in State Government, and historically low rates of return on short term investments, the City completed the fiscal year using \$139,459 less of its Budget Stabilization Fund, and none of the \$262,566 in General Fund -Fund Balance which was originally appropriated..

FY 2004 represented the first time that the City used funding reserves from its Budget Stabilization Fund (BSF). The BSF was established by ordinance in FY 1994-95 with a transfer of \$5.6 million from its General Fund-Fund Balance. Even after utilizing \$2,063,912 from the Fund in FY 2004, \$8,293,030 remains available. By policy the City may use no more than 20% of its available General Fund-Fund Balance and BSF reserves in any one year. This is intended to ensure that large structural deficits are not generated by exhausting such reserves before budget balancing measures are undertaken.

To meet policy requirements and maintain its financial stability, the City has engaged employees and Directors within its principal departments in a broad strategic effort to resolve structural issues. It has identified and is implementing significant funding change which will occur in FY 2005. Such restructuring will largely occur without diminishing services. The original FY 2005 budget included \$1.8 million from its General Fund-Fund Balance and Budget Stabilization Fund. It is now anticipated that it will not need to use any funding from its reserves. Examples of funding changes include: Through a joint management labor effort, the City will self insure employee health care with appropriate individual and aggregate reinsurance; a rate agreement has been negotiated between the City and the Lansing Board of Water and Light to achieve savings in electrical costs; the City has increased its liability insurance deductible from \$100,000 to \$350,000 to better reflect experience history; the City's franchise agreement for cable television is being renegotiated and is expected to increase revenue.

City of Lansing

Among other significant financial policies, The City has established a VEBA plan for non-police and fire employees beginning employment after 1990. In addition, the City has begun funding for both police and fire employees, and those members of the Employees Retirement System who began employment prior to 1990 through the respective pension systems. While high health care premium increases and revenue shortfall precluded voluntary excess contributions in FY 2004, the City has continued to make those contractual and actuarial contributions, with a view that such funding will greatly contribute to long term financial stability. A revised actuarial study is underway to determine future funding needs. Regarding the City's two defined benefit retirement plans, the Police and Fire Retirement System is 103.8% funded and the Employees Retirement System is 86.3% funded as of December 31, 2003. This reflects the Pension Funded Ratio of Actuarial Accrued Liability method of measuring the systems' progress in accumulating benefits when due.

Also, with adoption of its FY 95 Budget, the City implemented a policy of dedicating a minimum of 4% of General Fund expenditures to infrastructure. In most years, the City has exceeded policy funding levels. In FY 2003, the City increased its policy commitment to 5%, incorporating General Fund support for its Combined Sewer Overflow program within its Sewage Fund to partially cash fund the program. In FY 2004, initial support exceeded 5%; however, State Shared revenue reductions necessitated deferral of some lower priority activities. The original 4% commitment was maintained. Partially offsetting reduced available funding from its General Fund, the City utilized project residuals, worked to close several older bond funds, and made planned use of 2003 Sewage Bond proceeds.

OTHER INFORMATION

Budgeting Controls. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are re-appropriated as part of the following year's budget. Council appropriates to a level of Personnel, Operating Costs, Debt, Equipment, and (where applicable) Contingencies within each Department, and delegates expenditure control within these categories to management with specific reporting requirements under adopted policy.

Risk Management. The City carries all-risk coverage on all real and personal property and contents. The total coverage is \$200 million with a \$25,000 deductible. Workers Compensation is self insured with excess reinsurance coverage for claims exceeding \$500,000 from the State Accident Fund. The City carries liability coverage in the amount of \$16 million per occurrence.

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of PricewaterhouseCoopers LLP, was selected by the City's Audit Committee. In addition to meeting requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the general-purpose financial statements and schedules is included in the financial section of this report.

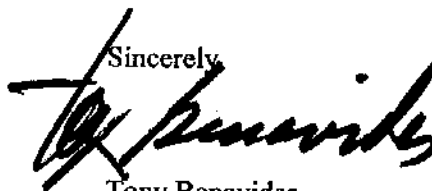
Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the 26th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

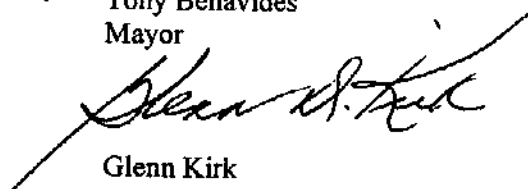
City of Lansing

Acknowledgments. The preparation of this comprehensive annual financial report, on a timely basis, was made possible by the dedicated service of the entire staff of the Finance Department. Because of vacancies and a hiring freeze, many staff were working in out of class assignments during the audit, and the results reflect the extra efforts of all involved. Each member of the department has our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 26th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

Sincerely,



Tony Benavides
Mayor



Glenn Kirk
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lansing,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

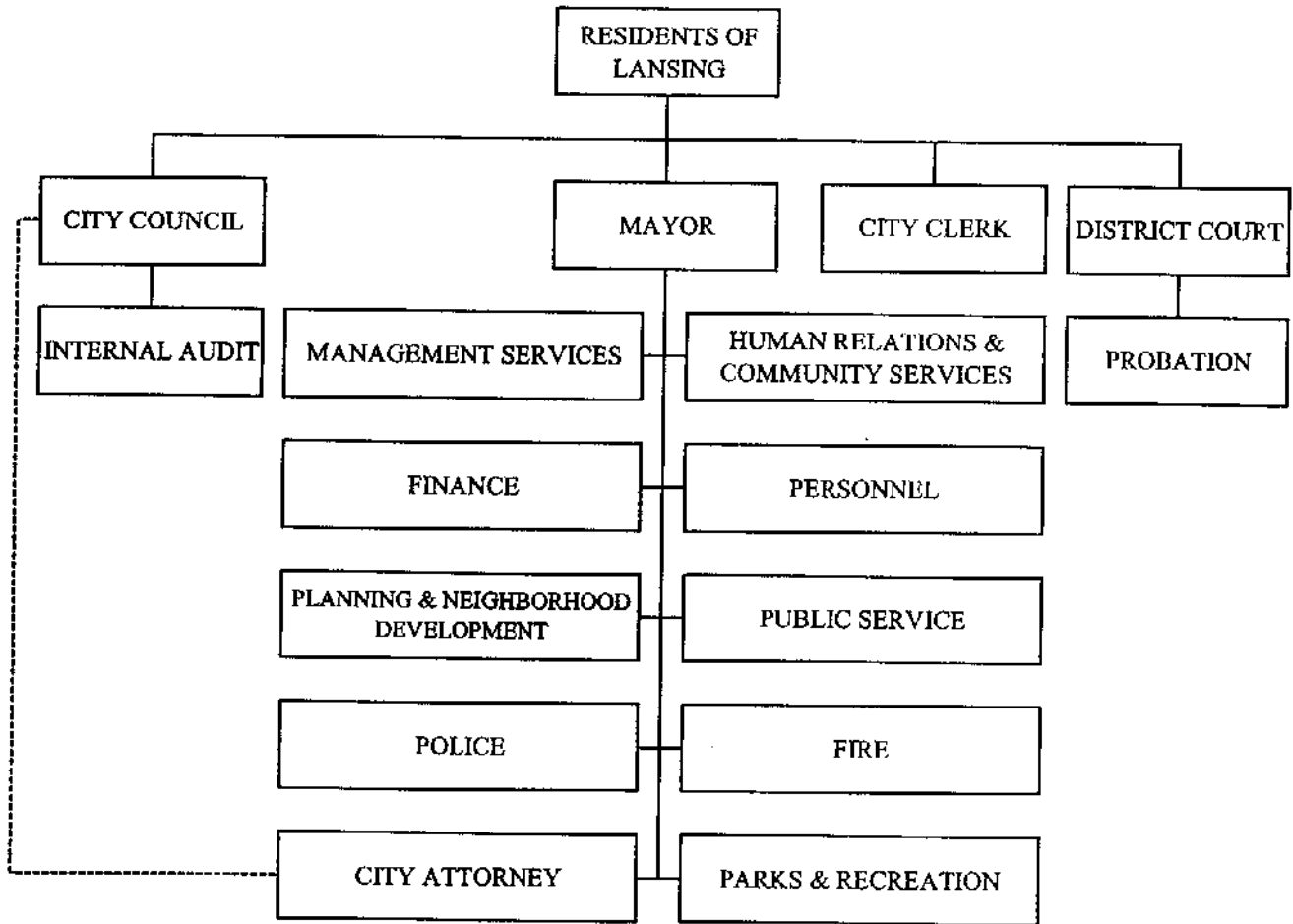
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATIONAL CHART



II Financial Section

**Independent Auditor's Report
Management Discussion and Analysis
Basic Financial Statements**

Report of Independent Auditors

The Honorable Mayor
and Members of City Council
City of Lansing, Michigan

In our opinion, based on our audit and the report of other auditors, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lansing, Michigan (the "City") which collectively comprise the City's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City's at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also have audited the financial statements of the City's nonmajor governmental, nonmajor enterprise, and fiduciary fund's presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lansing Entertainment and Public Facility Authority, which statements reflect total assets of \$1,520,375 as of June 30, 2004 and total revenues of \$6,114,267 for the year then ended, together the Local Site Remediation Revolving internal service fund and the Brownfield Redevelopment Authority special revenue fund, which statements reflect total assets of \$238,263 as of June 30, 2004, and total revenues of \$260,483 for the year then ended, and the Tax Increment Finance Authority, which statements reflect total assets of \$366,886 as of June 30, 2004, and total revenues of \$4,873,366 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions expressed herein, insofar as it relates to the amounts included for the Lansing Entertainment and Public Facility Authority, a business-type fund, the Local Site Remediation Revolving and the Brownfield Redevelopment Authority funds, and the Tax Increment Finance Authority, all governmental fund types, are based solely on the report of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.



In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 13 through 23 and 85 through 87 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Price Waterhouse Coopers LLP

November 19, 2004

City of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lansing, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

HIGHLIGHTS

Government-wide:

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$416.6 million (reported as *net assets*), a decrease of \$1.2 million from the previous year. Component unit of the City reported net assets of \$486,256, a decrease of \$240,624 from the previous year.

Fund Level:

- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$43.9 million. Of this, \$38.9 million is reported as unreserved fund balance, inclusive of \$8.3 million in the City's Budget Stabilization Fund (before fiscal year 2005 designation of \$1.1 million) and \$9.8 million designated for capital projects for subsequent year expenditure. The remaining fund balance of \$5.0 million is reserved for specific purposes, such as long-term advances to other funds and encumbrances. At the end of the fiscal year, unreserved fund balance for the General Fund was \$5.6 million, a decrease of \$378,723.
- The business-type activities reported net assets at year-end of \$203.8 million, an increase of \$3.4 million during the year. The majority of the increase represents the Sewage Disposal Fund's \$5.8 million in current year income.

Debt:

- The City's total debt was \$253.2 million at June 30, 2004, an increase of \$53.5 million (or 27%), which represents the net difference between new issuances, and payments and refunding of outstanding debt. During the year, the City issued debt of \$78.5 million, including \$570,000 in new capital lease debt for roof replacement, \$210,000 in new capital lease debt for computer hardware, \$14.3 million in limited tax general obligation bonds for its Combined Sewer Overflow (CSO) abatement project, \$39.9 million in revenue bonds for its Combined Sewer Overflow, and \$19 million in Building Authority bonds for downtown development. More detailed information regarding these activities and funds can be found in footnote 5, Debt which begins on page 62.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide Statements (Reporting the City as a Whole) These statements include all non-fiduciary assets and liabilities, but exclude assets and liabilities related to pensions. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year's activities? Unlike the governmental funds, the current year's revenues and expenses are taken into account regardless of when cash is received or paid, known as "full accrual accounting".

City of Lansing

The Statement of Net Assets (pages 25 and 26) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the City's long term financial position is improving or deteriorating.

The Statement of Activities (pages 27 and 28) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities report three activities, as follows:

- *Governmental Activities* – Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.
- *Business-type Activities* – The City charges fees to customers to help cover all or most of the cost of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has only one such discretely presented unit; the Lansing Entertainment and Public Facilities Authority.

These financial statements include two schedules (pages 31 and 33) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred revenue on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond issuance costs, discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

City of Lansing

- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 43 of this report.

Fund Financial Statements (Reporting the City's Major Funds)

The City's Major Funds are identified as its Sewage Disposal Fund, its Parking System Fund, and its Act 51 Major and Local Street Funds, along with its General Fund. The major fund financial statements begin on page 30. In addition to major funds, individual fund data for the non-major funds begins on page 89. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds* -- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* -- When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary Funds* -- The City acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 40. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end, and required pension supplementary information.

City of Lansing

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The City's combined net assets decreased \$1.2 million over the course of this fiscal year's operations to a total of \$416.6 million. The net assets of the governmental activities decreased \$4.6 million or 2.2% and business-type activities increased \$3.4 million or 1.7%.

*Net Assets as of June 30,
(in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Assets						
Current and other non-current assets	\$ 47.7	\$ 56.3	\$ 94.3	\$ 56.9	\$ 142.0	\$ 113.2
Capital assets	<u>228.1</u>	<u>233.4</u>	<u>318.3</u>	<u>289.4</u>	<u>546.4</u>	<u>522.8</u>
Total assets	<u>\$ 275.8</u>	<u>\$ 289.7</u>	<u>\$ 412.6</u>	<u>\$ 346.3</u>	<u>\$ 688.4</u>	<u>\$ 636.0</u>
Liabilities						
Liabilities						
Long-term liabilities	\$ 34.1	\$ 54.2	\$ 192.1	\$ 131.7	\$ 226.2	\$ 185.9
Other liabilities	<u>28.9</u>	<u>21.6</u>	<u>16.7</u>	<u>14.2</u>	<u>45.6</u>	<u>35.8</u>
Total liabilities	<u>\$ 63.0</u>	<u>\$ 75.8</u>	<u>\$ 208.8</u>	<u>\$ 145.9</u>	<u>\$ 271.8</u>	<u>\$ 221.7</u>
Net assets						
Invested in capital assets, net of related debt	197.5	193.5	138.8	163.7	336.3	357.2
Restricted	-	-	.7	1.0	0.7	1.0
Unrestricted	<u>15.3</u>	<u>20.4</u>	<u>64.3</u>	<u>35.7</u>	<u>79.6</u>	<u>56.1</u>
Total net assets	<u>\$ 212.8</u>	<u>\$ 213.9</u>	<u>\$ 203.8</u>	<u>\$ 200.4</u>	<u>\$ 416.6</u>	<u>\$ 414.3</u>

The largest component (81%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net assets are the next largest component, comprising 19%. These represent resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net assets, is subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

City of Lansing

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year:

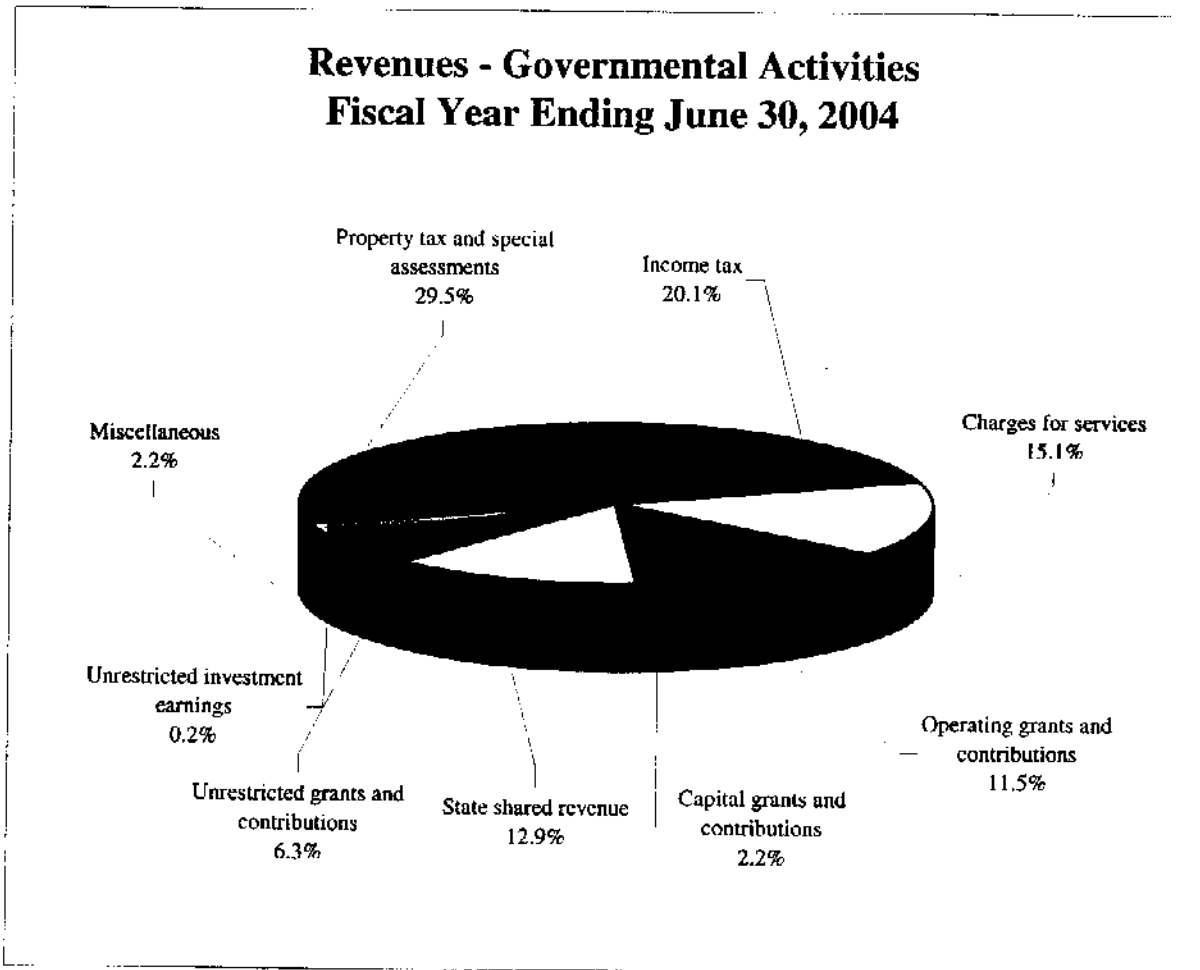
*Change in Net Assets
for the Fiscal Year Ended June 30,
(in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Revenues						
Program revenues						
Charges for services	\$ 20.7	\$ 19.7	\$ 39.2	\$ 38.6	\$ 59.9	\$ 58.3
Operating grants	15.7	16.0	-	-	15.7	16.0
Capital grants	3.0	1.7	.1	.9	3.1	2.6
General revenues						
Taxes	67.8	68.7	-	-	67.8	68.7
State shared revenue	17.7	19.4	-	-	17.7	19.4
Unrestricted Grants and Contributions	8.7	8.8	-	-	8.7	8.8
Unrestricted Investment						
Earnings	.3	.7	.2	.3	.5	1.0
Other	2.9	1.7	.4	.3	3.3	2.0
Total revenues	<u>136.8</u>	<u>136.7</u>	<u>39.9</u>	<u>40.1</u>	<u>176.7</u>	<u>176.8</u>
Expenses						
General government, administrative	53.4	54.4	-	-	53.4	54.4
Public Safety	41.3	37.0	-	-	41.3	37.0
Public Works	22.1	23.7	-	-	22.1	23.7
Recreation and Culture	8.0	8.1	-	-	8.0	8.1
Community Development	8.4	9.6	-	-	8.4	9.6
Interest on Long Term Debt	2.0	2.3	-	-	2.0	2.3
Sewage Disposal System	-	-	20.9	19.3	20.9	19.3
Municipal Parking System	-	-	9.2	8.8	9.2	8.8
Cemetery	-	-	.8	.7	.8	.7
Golf	-	-	1.6	1.6	1.6	1.6
Garbage and Refuse Collection	-	-	1.3	1.3	1.3	1.3
Recycling	-	-	2.8	2.6	2.8	2.6
Potter Park Zoo	-	-	2.5	2.2	2.5	2.2
Total expenses	<u>135.2</u>	<u>135.1</u>	<u>39.1</u>	<u>36.5</u>	<u>174.3</u>	<u>171.6</u>
Excess before transfers	1.6	1.6	.8	3.6	2.4	5.2
Transfers in (out)	(2.7)	(4.1)	2.7	3.7	-	(.4)
Changes in net assets	(1.1)	(2.5)	3.5	7.3	2.4	4.8
Beginning net assets	<u>213.9</u>	<u>216.4</u>	<u>200.4</u>	<u>193.1</u>	<u>414.3</u>	<u>409.5</u>
Ending net assets	<u>\$ 212.8</u>	<u>\$ 213.9</u>	<u>\$ 203.9</u>	<u>\$ 200.4</u>	<u>\$ 416.7</u>	<u>\$ 414.3</u>

City of Lansing

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:



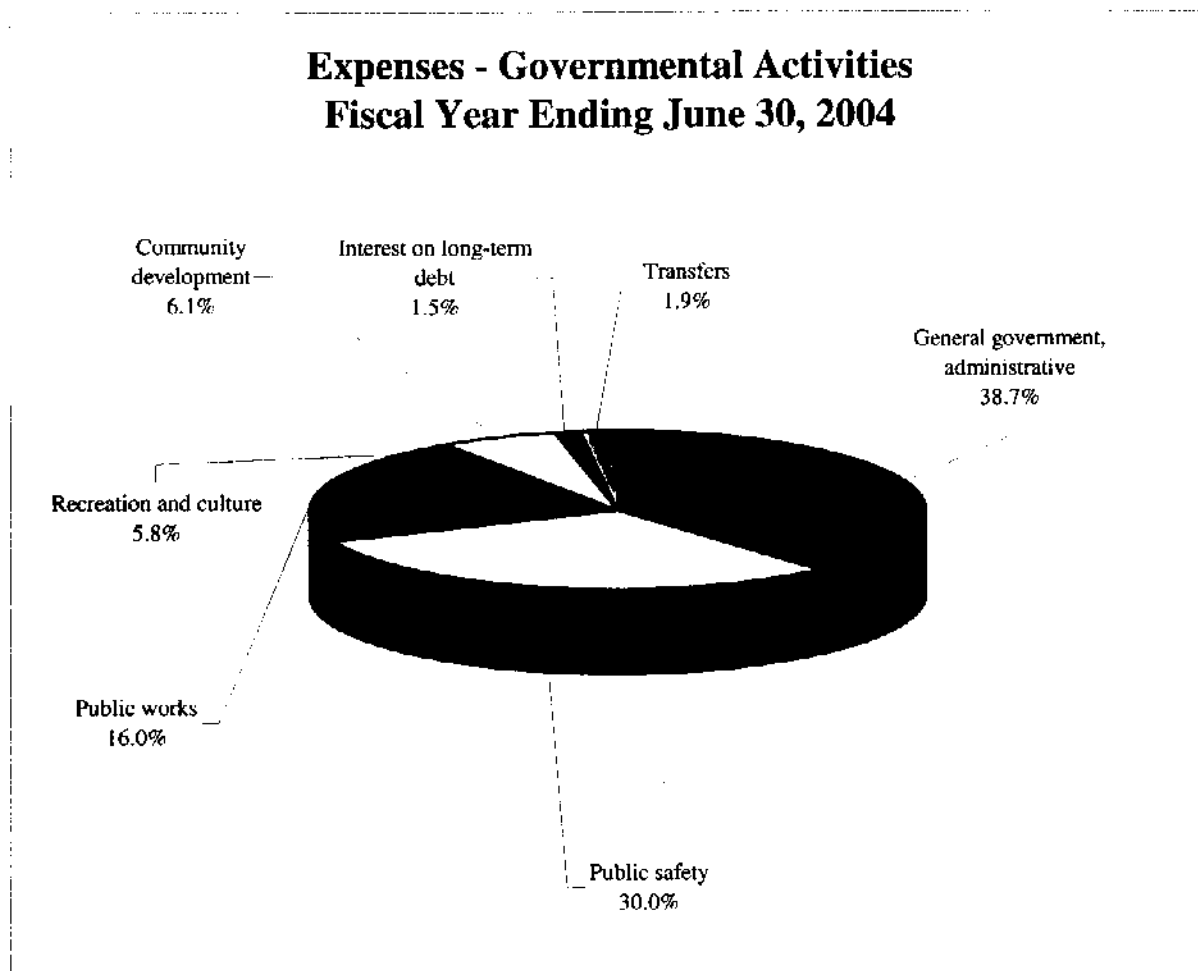
Property taxes comprised 29.5% of Governmental Activities revenue, with \$2,205,186 representing debt service on voted unlimited tax- general obligation debt. The City's operating millage is currently 14.9 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 19.2635 mills for operations in FY 2005.

Income taxes comprised 20.1% of Governmental Activities revenue which fully appears within the General Fund. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. FY 2004 receipts from the State of Michigan trended downward, due to declining sales tax collections and discretionary reductions in revenue sharing payments.

City of Lansing

The following chart depicts expenses of the governmental activities for the fiscal year:



Business-type Activities

Net assets of the business-type activities increased by \$3.4 million during the fiscal year. The factor contributing to these results was funds raised for the City's combined sewer overflow project.

The Sewage Disposal System Fund net assets increased by \$6,510,080. This is primarily a result of funding for capital costs of the combined sewer separation project. Sewage system revenues are expected to increase by 4% per year over the next five years to continue this 30 year project.

Within non-major funds, Cemeteries, Golf, Potter Park Zoo, Building Department Fund, Garbage and Rubbish, and Recycling remain subsidized by the General Fund.

The City of Lansing is continuing its five year plan to eliminate the unrestricted net asset deficit in the Golf Fund.

City of Lansing

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds reported fund balances of \$43.9 million. Of this total amount, \$38.9 million, or 88.6% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. This includes \$8.3 million in the City's Budget Stabilization Fund of which \$1.1 million has been appropriated for fiscal year 2005 and \$9.8 million designated for capital projects for subsequent year expenditure. The remainder of fund balance is reserved and is not available for new spending because it has already been reserved for specific purposes, including special assessments and encumbrances.

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2003-2004, the General Fund fund balance was \$6.9 million, including an unreserved fund balance of \$5.6 million and a reserved fund balance of \$1.3 million. The General Fund's total fund balance remained unchanged as compared to FY 2003, as a result of various operating transfers during the year to the City's funds offset by a budgeted transfer from the Budget Stabilization Fund in the amount of \$2,063,912, in accordance with policy and ordinance. Unreserved fund balance decreased by \$378,723, attributable to more contractual obligations at year end than in FY 2003.

General Fund Budgetary Highlights:

Expenditures in comparison to budget were reduced in virtually all operating departments by a partial hiring freeze impacting all but public safety positions, by selective deferral of equipment purchases, and by administrative actions to reduce operating costs.

- Additional Human Services programs were added during FY 2004. Council budget was increased for grants and contractual services. Budgeted transfers out were reduced due to residuals being used from infrastructure closeouts for roads.
- Property tax revenue increased \$1,431,160 or 4.6% in FY 2004. This occurred despite the economic downturn at the State and National level and is attributed to the City's economic development efforts.
- Income tax revenue decreased \$1,746,211 or 5.9% in FY 2004 due largely to reductions in the State government workforce.
- Reduction of State sales tax shared revenue and by executive order reduced the Lansing share by \$1.7 million. The budget was reduced during the year to reflect this reduction.

Interest income declined by \$305,788 or 68% due to market conditions resulting in reduced rates of return.

Budget Stabilization Fund

Fund balance at June 30, 2004 decreased to \$8.3 million, from \$10.4 million the previous year. The Fund is limited by Ordinance to 10% of year end General Fund appropriations. The City has appropriated \$1.1 million for their 2005 budget.

City of Lansing

Capital Assets

Capital Assets: At the end of the fiscal year 2003-2004, the City had invested \$542.7 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for the fiscal year were \$22.2 million. Additional information regarding the City's capital assets can be found in the notes to the basic financial statements.

*Capital Assets as of June 30,
(net of depreciation, in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>		<i>Component Unit</i>	
	2004	2003	2004	2003	2004	2003	2004	2003
Land	\$ 24.6	\$ 24.5	\$ 22.6	\$ 22.6	\$ 47.2	\$ 47.1	\$ -	\$ -
Land improvements	4.5	3.7	13.7	14.3	18.2	18.0	-	-
Buildings and improvements	50.4	49.4	91.7	94.8	142.1	144.2	-	-
Equipment	6.7	6.6	1.4	1.5	8.1	8.1	.2	.3
Sewers	-	-	99.7	102.6	99.7	102.6	-	-
Infrastructure	137.9	143.6	-	-	137.9	143.6	-	-
Subtotal	224.1	227.8	229.1	235.8	453.2	463.6	.2	.3
Construction in progress	4.0	5.6	89.3	53.6	93.3	59.2	-	-
Total	\$ 228.1	\$ 233.4	\$ 318.4	\$ 289.4	\$ 546.5	\$ 522.8	\$.2	\$.3

Infrastructure capital assets in governmental activity funds of \$10,611,807 was removed from service during the year.

Within business-type activity funds, construction in progress capital assets increased with recognition of improvements associated with the City's combined sewer overflow abatement project.

City of Lansing

Debt Administration

The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds, are backed by the full faith and credit of the City. The City also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The Sewage Disposal fund has the only dedicated revenue bonds which are currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. The General Fund pays for firing range related debt service. More detailed information regarding the City's long-term obligations is presented in Note 5 (Long-Term Debt) to the financial statements.

Outstanding Bonded Debt as of June 30, (in millions of dollars)

	2004	2003
Governmental:		
General obligation bonds (backed by the City)	\$ 25.1	\$ 29.6
Business Type:		
General obligation bonds (backed by the City)	141.3	110.4
Revenue bonds and notes (backed by specific fee revenues)	55.2	28.5
Sub-total	196.5	138.9
Total	<u>\$ 221.6</u>	<u>\$ 168.5</u>

During fiscal year 2003-2004, the City entered into a capital lease of \$570,000 for roof replacement, and \$210,000 for computer hardware. The City also issued \$14.3 million in limited tax-general obligation debt, of which \$1.2 million in funds related to this issue have been drawn down from the Michigan Municipal Bond Authority as of June 30, 2004, and \$39.9 million in revenue bonds for its combined sewer overflow abatement project, supported, in part, by Sewage Disposal Fund user fees. In addition \$19 million was issued in Building Authority general obligation debt for downtown development.

ECONOMIC CONDITION AND OUTLOOK

Locally generated revenue remained moderately strong in FY 2004. With realization of development initiatives and low mortgage rates, property tax revenue increased 4.6%. In June of 2004, Lansing unemployment was 5%, which was the second lowest of the State's reporting regions. Statewide unemployment was 6.8%, reflective of the delayed economic recovery, particularly in the manufacturing and travel industries.

However, intergovernmental receipts continued to decline, with a reduction of \$1.7 million in State Shared revenue. This was implemented due to State sales tax declines and a multi-year reduction in State income and business tax rates which were enacted prior to the recession.

Reductions in State Shared revenue, as well as continued reductions in investment income in the low interest rate environment, negatively impacted the City. In response, the City, through managerial actions, reduced lower priority capital expenditures and operating costs, as well as instituting a limited freeze on hiring to fill vacant positions.

City of Lansing

CONTACTING THE CITY FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department at (517) 483-4500.

Basic Financial Statements

City of Lansing
Statement of Net Assets
June 30, 2004

	Primary Government			Component unit Non-major Lansing Entertainment & Public Facilities Authority
	Governmental activities	Business-Type activities	Totals	
Assets				
Cash and cash equivalents	\$ 6,360,266	\$ 23,980,064	\$ 30,340,330	\$ 105,474
Equity in pooled cash	25,150,375	8,852,680	34,003,055	-
Investments	34,500	-	34,500	-
Receivables, net of allowances for uncollectibles				
Accounts	5,557,658	2,001,853	7,559,511	660,550
Accrued interest	594,813	78,942	673,755	-
Taxes	9,022,385	-	9,022,385	-
Special assessments	793,384	-	793,384	-
Loans	230,375	-	230,375	-
Ambulance fees	788,359	-	788,359	-
Internal balances	(9,192,250)	9,192,250	-	-
Due from other governments	4,025,785	-	4,025,785	-
Due from pension fund	1,438,505	-	1,438,505	-
Prepaid expenses	1,234,553	-	1,234,553	81,479
Inventories	1,675,938	401,503	2,077,441	58,928
Restricted assets				
Cash and cash equivalents	21,068	48,770,369	48,791,437	397,273
Accrued interest receivable	14	12,862	12,876	19,334
Bond issue costs	7,628	1,014,533	1,022,161	-
Capital assets				
Land	24,578,668	22,581,816	47,160,484	-
Land improvements	7,956,683	22,483,485	30,440,168	-
Buildings	87,204,400	168,265,046	255,469,446	-
Equipment	34,005,199	5,439,734	39,444,933	1,483,729
Infrastructure	320,697,655	129,860,728	450,558,383	-
Less accumulated depreciation	(250,353,914)	(119,559,571)	(369,913,485)	(1,286,392)
Construction in progress	4,033,345	89,270,117	93,303,462	-
Total capital assets	228,122,036	318,341,355	546,463,391	197,337
Total assets	\$ 275,865,392	\$ 412,646,411	\$ 688,511,803	\$ 1,520,375

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Net Assets
June 30, 2004

	Primary Government			Component unit Non-major Lansing Entertainment & Public Facilities Authority
	Governmental activities	Business-Type activities	Totals	
Liabilities				
Accounts payable	\$ 5,579,818	\$ 655,400	\$ 6,235,218	\$ 287,169
Deposits payable	288,708	71,031	359,739	-
Accrued interest payable	442,579	480,980	923,559	-
Accrued payroll	2,701,653	257,478	2,959,131	-
Other accrued liabilities	399,961	-	399,961	165,773
Contract retainage payable	1,622,723	-	1,622,723	-
Indemnity bonds	22,051	-	22,051	-
Due to other governments	1,130,329	125,089	1,255,418	-
Deferred revenues	744,544	1,119,372	1,863,916	418,881
Payable from restricted assets				
Accounts payable	-	3,673,611	3,673,611	-
Accrued interest payable	28,979	567,302	596,281	-
Capital lease payable - current	100,000	-	100,000	-
Capital lease payable - long-term portion	1,525,000	-	1,525,000	-
General obligation bonds payable, current	-	5,350,000	5,350,000	-
Revenue bonds payable, current	-	3,665,000	3,665,000	-
Loans payable, current	131,088	-	131,088	-
Capital leases payable, current	1,779,000	-	1,779,000	49,739
General obligation bonds payable, current	4,850,000	-	4,850,000	-
Accrued compensated absences, current	7,640,689	720,058	8,360,747	-
Accrued workers' compensation, current	1,442,000	-	1,442,000	-
Loans payable	277,195	4,179,650	4,456,845	-
Capital leases payable	6,454,752	-	6,454,752	112,557
General obligation bonds payable	20,273,133	135,976,074	156,249,207	-
Revenue bonds payable	-	51,555,784	51,555,784	-
Accrued compensated absences	3,062,555	432,234	3,494,789	-
Accrued workers' compensation	2,106,408	-	2,106,408	-
Accrued general liability claims	400,000	-	400,000	-
Total liabilities	63,003,165	208,829,063	271,832,228	1,034,119
Net assets				
Invested in capital assets, net of related debt	197,530,605	138,830,169	336,360,774	35,041
Restricted for				
Debt retirement	-	718,828	718,828	-
Unrestricted	15,331,622	64,268,351	79,599,973	451,215
Total net assets	\$ 212,862,227	\$ 203,817,348	\$ 416,679,575	\$ 486,256

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Activities
June 30, 2004

		Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
<u>Functions/Programs</u>	Expenses			
Primary government				
Governmental activities				
General government, administrative	\$ 53,353,559	\$ 4,686,901	\$ 26,237	\$ -
Public safety	41,292,750	11,682,187	3,175,179	-
Public works	22,118,173	2,713,258	12,479,779	-
Recreation and culture	7,979,953	1,581,607	64,986	382,031
Community development	8,387,559	-	-	2,651,860
Interest on long-term debt	2,041,758	-	-	-
Total governmental activities	<u>135,173,752</u>	<u>20,663,953</u>	<u>15,746,181</u>	<u>3,033,891</u>
Business-type activities				
Sewage Disposal System	20,864,079	26,529,842	-	-
Municipal Parking System	9,196,910	7,510,354	-	-
Cemetery	828,073	226,631	-	-
Golf	1,620,669	951,923	-	93,207
Garbage and Rubbish Collection	1,321,760	1,315,413	-	-
Recycling	2,768,307	2,115,917	-	-
Potter Park Zoo	2,542,065	505,666	-	-
Total business-type activities	<u>39,141,863</u>	<u>39,155,746</u>	<u>-</u>	<u>93,207</u>
Total primary government	<u>\$ 174,315,615</u>	<u>\$ 59,819,699</u>	<u>\$ 15,746,181</u>	<u>\$ 3,127,098</u>
Component unit				
Lansing Entertainment & Public Facilities Authority	<u>\$ 6,354,891</u>	<u>\$ 5,257,555</u>	<u>\$ 855,600</u>	<u>\$ -</u>
Total component unit	<u>\$ 6,354,891</u>	<u>\$ 5,257,555</u>	<u>\$ 855,600</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property tax and special assessments				
State shared revenue				
Income tax				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component unit Non-major Lausling Entertainment & Public Facilities Authority
Governmental activities	Business-Type activities	Totals	
\$ (48,640,421)	\$ -	\$ (48,640,421)	\$ -
(26,435,384)	-	(26,435,384)	-
(6,925,136)	-	(6,925,136)	-
(5,951,329)	-	(5,951,329)	-
(5,735,699)	-	(5,735,699)	-
(2,041,758)	-	(2,041,758)	-
<u>(95,729,727)</u>	<u>-</u>	<u>(95,729,727)</u>	<u>-</u>
-	5,665,763	5,665,763	-
-	(1,686,556)	(1,686,556)	-
-	(601,442)	(601,442)	-
-	(575,539)	(575,539)	-
-	(6,347)	(6,347)	-
-	(652,390)	(652,390)	-
-	(2,036,399)	(2,036,399)	-
-	<u>107,090</u>	<u>107,090</u>	<u>-</u>
<u>(95,729,727)</u>	<u>107,090</u>	<u>(95,622,637)</u>	<u>-</u>
-	-	-	(241,736)
-	-	-	(241,736)
40,354,088	-	40,354,088	-
17,684,948	-	17,684,948	-
27,437,494	-	27,437,494	-
8,653,465	-	8,653,465	-
312,069	249,855	561,924	1,112
30,814	-	30,814	-
2,872,978	387,551	3,260,529	-
(2,668,510)	2,668,510	-	-
<u>94,677,346</u>	<u>3,305,916</u>	<u>97,983,262</u>	<u>1,112</u>
<u>(1,052,381)</u>	<u>3,413,006</u>	<u>2,360,625</u>	<u>(240,624)</u>
<u>213,914,608</u>	<u>200,404,342</u>	<u>414,318,950</u>	<u>726,880</u>
<u>\$ 212,862,227</u>	<u>\$ 203,817,348</u>	<u>\$ 416,679,575</u>	<u>\$ 486,256</u>

Governmental Fund Financial Statements

Major Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Act 51, Public Acts of 1951 Major Streets Fund – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Act 51, Public Acts of 1951 Local Streets Fund – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on the pages listed below:

Special Revenue funds, page 91.

Debt Service funds, page 101.

Capital Projects funds, page 109.

Permanent funds, page 114.

City of Lansing
Balance Sheet
Governmental Funds
June 30, 2004

	General fund	Act 51, Public Acts of 1951 Major Streets	Act 51, Public Acts of 1951 Local Streets	Non-Major funds	Totals June 30, 2004
Assets					
Cash and cash equivalents	\$ 1,614,321	\$ -	\$ -	\$ 4,678,891	\$ 6,293,212
Equity in pooled cash	-	2,875,849	1,434,101	18,025,820	22,335,770
Investments	-	-	-	34,500	34,500
Accounts receivable, net	4,433,630	-	-	1,124,028	5,557,658
Taxes receivable	8,959,890	-	-	-	8,959,890
Special assessments receivable	-	-	-	793,384	793,384
Loans receivable	-	-	-	230,375	230,375
Accrued interest receivable	-	-	-	1,755	1,755
Other receivables	-	-	-	593,058	593,058
Due from other funds	7,064,342	2,802,356	-	8,112,514	17,979,212
Due from other governments	82,711	1,245,454	340,122	2,357,498	4,025,785
Prepays	207,667	-	-	-	207,667
Inventories	1,421,314	-	-	-	1,421,314
Total assets	\$ 23,783,875	\$ 6,923,659	\$ 1,774,223	\$ 35,951,823	\$ 68,433,580
Liabilities					
Accounts payable	\$ 3,658,037	\$ 189,567	\$ 60,390	\$ 1,610,706	\$ 5,518,700
Deposits payable	-	-	-	288,708	288,708
Accrued payroll	2,385,647	29,320	33,924	234,346	2,683,237
Contract retainage payable	1,622,723	-	-	-	1,622,723
Indemnity bonds	-	13,805	8,246	-	22,051
Due to other funds	7,656,111	-	-	4,502,922	12,159,033
Due to other governments	1,130,329	-	-	-	1,130,329
Deferred revenue	-	-	-	744,544	744,544
Other	399,961	-	-	-	399,961
Total liabilities	16,852,808	232,692	102,560	7,381,226	24,569,286
Fund balances					
Reserved for advances to other funds	592,523	-	-	-	592,523
Reserved for encumbrances	731,586	2,052,896	48,463	-	2,832,945
Reserved for programs	-	-	-	1,587,436	1,587,436
Unreserved, reported in:					
General Fund	5,606,958	-	-	-	5,606,958
Special Revenue Funds	-	4,638,071	1,623,200	11,689,299	17,950,570
Capital Projects Funds	-	-	-	15,293,862	15,293,862
Total fund balances	6,931,067	6,690,967	1,671,663	28,570,597	43,864,294
Total liabilities and fund balances	\$ 23,783,875	\$ 6,923,659	\$ 1,774,223	\$ 35,951,823	\$ 68,433,580

The accompanying notes are an integral part of the financial statements.

City of Lansing
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds		\$ 43,864,294
Amounts reported for governmental activities in the Statement of Net Assets are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	24,523,371	
Land improvements	7,956,683	
Buildings	84,249,988	
Equipment	21,940,656	
Infrastructure	320,697,655	
Accumulated depreciation	(240,674,543)	
Construction in progress	4,033,345	222,727,155
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Prepaid interest	1,026,886	
Income tax penalties and interest receivables	62,495	
Ambulance fees	788,359	1,877,740
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		6,718,886
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Governmental loans payable	(408,283)	
General obligation bonds payable	(25,123,133)	
Accrued interest payable	(442,579)	
Capital lease obligations	(21,807,676)	
Compensated absences	(10,595,769)	
Workers' compensation	(3,548,408)	
General liability claims	(400,000)	(62,325,848)
Net assets of governmental activities		\$ 212,862,227

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General fund	Act 51, Public Acts of 1951 Major Streets	Act 51, Public Acts of 1951 Local Streets	Non-Major funds	Totals June 30, 2004
Revenues					
Taxes and special assessments	\$ 60,747,272	\$ -	\$ -	\$ 7,835,075	\$ 68,582,347
Intergovernmental	17,726,534	7,424,581	1,925,861	9,235,135	36,312,111
Charges for services	9,544,059	385,684	276,199	6,539,260	16,745,202
Fines and forfeits	4,064,161	-	-	806,416	4,870,577
Investment income	200,273	31,726	6,084	119,299	357,382
Contributions	8,718,450	-	-	25,845	8,744,295
Donations, private sources	-	-	-	22,031	22,031
Miscellaneous	157,895	553,017	-	574,991	1,285,903
Total revenues	101,158,644	8,395,008	2,208,144	25,158,052	136,919,848
Expenditures					
Current operating					
General government	51,630,622	-	-	2,790,113	54,420,735
Public safety	32,742,214	-	-	7,402,923	40,145,137
Highways, streets and sanitation	2,035,744	3,713,141	3,467,119	-	9,216,004
Recreation and culture	6,042,375	-	-	186,639	6,229,014
Other functions	2,559,118	-	-	4,412,262	6,971,380
Capital improvements	-	1,206,701	612,107	10,098,800	11,917,608
Debt service					
Principal	741,205	126,046	-	6,006,983	6,874,234
Interest	93,488	21,373	-	2,216,415	2,331,276
Total expenditures	95,844,766	5,067,261	4,079,226	33,114,135	138,105,388
Excess (deficiency) of revenues over expenditures	5,313,878	3,327,747	(1,871,082)	(7,956,083)	(1,185,540)
Other financing sources (uses)					
Transfers in	2,572,862	-	1,705,267	9,350,315	13,628,444
Transfers out	(7,917,554)	(1,705,267)	-	(6,698,335)	(16,321,156)
Proceeds on sale of capital assets	30,814	-	-	768,683	799,497
Bond proceeds	-	-	-	570,000	570,000
Total other financing sources (uses)	(5,313,878)	(1,705,267)	1,705,267	3,990,663	(1,323,215)
Net change in fund balances	-	1,622,480	(165,815)	(3,965,420)	(2,508,755)
Fund balances, beginning of year	6,931,067	5,068,487	1,837,478	32,536,017	46,373,049
Fund balances, end of year	\$ 6,931,067	\$ 6,690,967	\$ 1,671,663	\$ 28,570,597	\$ 43,864,294

The accompanying notes are an integral part of the financial statements.

City of Lansing

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities June 30, 2004

Net change in fund balance - total governmental funds \$ (2,508,755)

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net effect of various transactions involving capital assets.

Land	88,000	
Land improvements	1,109,545	
Buildings	3,246,603	
Equipment	780,705	
Infrastructure	3,165,513	
Infrastructure removed from service	(7,084,870)	
Depreciation expense	(5,497,637)	
Construction in progress placed into service	<u>(1,625,465)</u>	(5,817,606)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in income tax penalties and interest	24,224	
Change in ambulance fees	<u>213,755</u>	237,979

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported within governmental activities.

417,907

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.

Capital lease proceeds	(570,000)	
Repayment of bond principal	4,495,000	
Repayment of capital lease	401,983	
Accrued interest	<u>87,013</u>	4,413,996

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Capital lease payments	1,843,097	
Capital lease advances	250,000	
Loan payments	126,046	
Workers' compensation	<u>(69,577)</u>	2,149,566

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences	<u>54,532</u>	<u>54,532</u>
Change in net assets of governmental activities		<u>\$ (1,052,381)</u>

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Financial Statements

Major Funds

Sewage Disposal System Fund – This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund – This fund accounts for the operation of City-owned parking facilities.

Non-Major Funds

Non-major proprietary funds are presented, by fund type, beginning on the pages listed below:

Enterprise funds, page 117.

Internal Service funds, page 122.

City of Lansing
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds		Non-Major Enterprise Funds	Totals June 30, 2004	
	Sewage Disposal System	Municipal Parking System			
Assets					
Current assets					
Cash and cash equivalents	\$ 23,942,096	\$ 10,549	\$ 27,419	\$ 23,980,064	\$ 67,054
Equity in pooled cash	-	7,102,509	1,750,171	8,852,680	2,814,605
Receivables, net of allowances for uncollectibles					
Accounts	1,727,222	125,665	148,966	2,001,853	-
Accrued interest	3,022	75,920	-	78,942	-
Lease receivable, current	-	375,255	-	375,255	-
Inventories	286,376	-	115,127	401,503	254,624
Restricted assets					
Cash and cash equivalents	37,936,588	10,833,781	-	48,770,369	21,068
Accrued interest receivable	5,594	7,268	-	12,862	14
Due from other funds	3,793,677	-	-	3,793,677	-
Total current assets	67,694,575	18,530,947	2,041,683	88,267,205	3,157,365
Non-current assets					
Lease receivable	-	13,198,669	-	13,198,669	-
Bond issue costs	561,402	453,131	-	1,014,533	7,628
Capital assets, net of accumulated depreciation	259,387,645	49,296,265	9,657,446	318,341,356	5,394,881
Total non-current assets	259,949,047	62,948,065	9,657,446	332,554,558	5,402,509
Total assets	\$ 327,643,622	\$ 81,479,012	\$ 11,699,129	\$ 420,821,763	\$ 8,559,874
Liabilities					
Current liabilities					
Accounts payable	\$ 277,357	\$ 251,677	\$ 126,366	\$ 655,400	\$ 61,118
Deposits payable	-	71,031	-	71,031	-
Accrued interest payable	467,452	-	13,528	480,980	-
Accrued payroll	102,796	44,837	109,845	257,478	18,416
Due to other funds	4,464,574	-	632,814	5,097,388	-
Due to other governments	125,089	-	-	125,089	-
Deferred revenues	-	1,026,886	92,486	1,119,372	-
Accrued compensated absences, current	364,792	82,200	273,066	720,058	57,545
Payable from restricted assets					
Accounts payable	2,738,268	935,343	-	3,673,611	-
Accrued interest payable	406,660	160,642	-	567,302	28,979
Due to other funds	1,843,738	1,234,226	-	3,077,964	-
General obligation bonds payable, current	4,420,000	880,000	50,000	5,350,000	-
Revenue bonds payable, current	3,665,000	-	-	3,665,000	-
Total current liabilities	18,875,726	4,686,842	1,298,105	24,860,673	166,058
Non-current liabilities					
Capital lease payable	-	-	-	-	1,625,000
Loan payable	-	4,179,650	-	4,179,650	-
General obligation bonds payable	75,593,225	59,439,424	943,425	135,976,074	-
Revenue bonds payable	51,555,784	-	-	51,555,784	-
Accrued compensated absences	271,925	53,693	106,616	432,234	49,930
Total non-current liabilities	127,420,934	63,672,767	1,050,041	192,143,742	1,674,930
Total liabilities	146,296,660	68,359,609	2,348,146	217,004,415	1,840,988
Net assets					
Invested in capital assets, net of related debt	123,840,926	6,325,222	8,664,021	138,830,169	3,748,530
Restricted for					
Debt retirement	659,932	58,896	-	718,828	-
Unrestricted	56,846,104	6,735,285	686,962	64,268,351	2,970,356
Total net assets	\$ 181,346,962	\$ 13,119,403	\$ 9,350,983	\$ 203,817,348	\$ 6,718,886

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds			Totals	
	Sewage Disposal System	Municipal Parking System	Non-Major Enterprise Funds	June 30, 2004	
Operating revenues					
Charges for services	\$ 26,529,842	\$ 7,504,144	\$ 5,101,838	\$ 39,135,824	\$ 3,485,081
Operating expenses					
Personal services	5,971,030	2,164,728	4,739,222	12,874,980	1,164,720
Purchase of goods and services	6,803,971	1,707,562	3,688,723	12,200,256	972,693
Depreciation	5,607,978	2,187,047	597,015	8,392,040	905,442
Total operating expenses	18,382,979	6,059,337	9,024,960	33,467,276	3,042,855
Operating income (loss)	8,146,863	1,444,807	(3,923,122)	5,668,548	442,226
Nonoperating revenues (expenses)					
Investment revenue	71,804	158,694	19,357	249,855	1,908
Gain on sale of capital assets	-	6,210	13,712	19,922	40,730
Interest expense and paying agent fees	(2,431,358)	(3,137,573)	(55,914)	(5,624,845)	(90,505)
Amortization of bond issue costs	(49,742)	-	-	(49,742)	(654)
Miscellaneous income	33,910	353,641	-	387,551	-
Total nonoperating revenues (expenses)	(2,375,386)	(2,619,028)	(22,845)	(5,017,259)	(48,521)
Income (loss) before operating transfers	5,771,477	(1,174,221)	(3,945,967)	651,289	393,705
Transfers and capital contributions					
Capital Contributions	-	-	93,207	93,207	-
Transfers in	1,038,603	-	2,947,204	3,985,807	24,202
Transfers out	(300,000)	(1,000,000)	(17,297)	(1,317,297)	-
Total	738,603	(1,000,000)	3,023,114	2,761,717	24,202
Change in net assets	6,510,080	(2,174,221)	(922,853)	3,413,006	417,907
Total net assets - beginning of fiscal year	174,836,882	15,293,624	10,273,836	200,404,342	6,300,979
Total net assets - end of fiscal year	\$ 181,346,962	\$ 13,119,403	\$ 9,350,983	\$ 203,817,348	\$ 6,718,886

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds	
	Major Funds	
	Sewage Disposal System	Municipal Parking System
Cash flows from operating activities		
Cash received from customers	\$ 26,684,375	\$ 7,435,945
Cash payments for goods and services	(9,581,656)	(1,769,536)
Cash payments to employees	(5,916,257)	(2,163,735)
Net cash provided by (used for) operating activities	11,186,462	3,502,674
Cash flows from noncapital financing activities		
Transfers in	1,038,603	-
Transfers out	(300,000)	(1,000,000)
Net cash provided by (used for) noncapital financing activities	738,603	(1,000,000)
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	6,210
Acquisition and construction of capital assets	(20,330,245)	(15,120,188)
Payments of capital lease and interest	-	-
Principal paid on revenue and general obligation bonds	(7,495,000)	(835,000)
Interest paid on revenue and general obligation bonds	(2,187,601)	(979,223)
Loan proceeds	-	4,179,650
Bond proceeds	44,531,178	19,000,000
Payments received on capital lease	-	1,000,000
Net cash provided by (used for) capital and related financing activities	14,518,332	7,251,449
Cash flows from investing activities		
Interest and dividends	72,361	152,158
Net increase (decrease) in cash and cash equivalents	26,515,758	9,906,281
Cash and cash equivalents, beginning of year	35,362,926	8,040,558
Cash and cash equivalents, end of year	\$ 61,878,684	\$ 17,946,839
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	\$ 8,146,863	\$ 1,444,807
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation expense	\$ 5,607,978	2,187,047
(Increase) decrease in accounts receivable	154,533	(68,199)
(Increase) decrease in accrued interest receivable	557	-
(Increase) decrease in due from other funds	(201,074)	-
(Increase) decrease in inventory	6,009	-
(Increase) decrease in contract retainage receivable	115,570	-
Increase (decrease) in accounts payable	(237,087)	(79,690)
Increase (decrease) in accrued liabilities	298,530	993
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in due to other funds	(2,705,417)	-
Increase (decrease) in deposit payable	-	17,716
Total adjustments	3,039,599	2,057,867
Net cash provided by (used for) operating activities	\$ 11,186,462	\$ 3,502,674

The accompanying notes are an integral part of the financial statements.

Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Non-Major Enterprise Funds	Totals June 30, 2004	
\$ 5,164,111	\$ 39,284,431	\$ 3,488,058
(3,945,409)	(15,296,601)	(1,102,001)
(4,733,371)	(12,813,363)	(1,162,304)
<u>(3,514,669)</u>	<u>11,174,467</u>	<u>1,223,753</u>
2,921,604	3,960,207	24,202
8,303	(1,291,697)	-
<u>2,929,907</u>	<u>2,668,510</u>	<u>24,202</u>
13,712	19,922	40,730
(110,879)	(35,561,312)	(1,248,025)
-	-	(192,288)
(50,000)	(8,380,000)	-
(55,585)	(3,222,409)	-
-	4,179,650	-
-	63,531,178	-
-	1,000,000	-
<u>(202,752)</u>	<u>21,567,029</u>	<u>(1,399,583)</u>
19,357	243,876	1,922
(768,157)	35,653,882	(149,706)
<u>2,545,747</u>	<u>45,949,231</u>	<u>3,052,433</u>
\$ 1,777,590	\$ 81,603,113	\$ 2,902,727
\$ (3,923,122)	\$ 5,668,548	\$ 442,226
597,015	8,392,040	905,442
72,179	158,513	2,977
-	557	-
-	(201,074)	-
(9,235)	(3,226)	(4,730)
(80,523)	(397,300)	(118,662)
8,314	307,837	(3,500)
(9,907)	(9,907)	-
(169,390)	(2,874,807)	-
-	17,716	-
-	115,570	-
<u>408,453</u>	<u>5,505,919</u>	<u>781,527</u>
\$ (3,514,669)	\$ 11,174,467	\$ 1,223,753

Fiduciary Fund Financial Statements

Pension (and Other Post Employment Benefits) Trust Funds – Employee Pension Trust funds accept payments made by the City, invest fund resources, and calculate and pay pensions to beneficiaries.

Combining schedules for fiduciary funds are presented, by fund type, beginning on the pages listed below:

Pension (and Other Postemployment Benefits) Trust funds, page 126.

City of Lansing
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Pension (and Other Post Employment Benefits) Trust Funds
Assets	
Cash and cash equivalents	\$ 20,775,391
Investments	
U. S. Government obligations	112,530,447
Corporate bonds	31,777,445
Common stocks	210,117,243
Stock mutual funds	73,146,279
Contribution receivable	335,412
Dividends and interest receivable	1,389,486
Accrued interest receivable	4,077
Due from other funds	<u>994,337</u>
 Total assets	 <u>\$ 451,070,117</u>
Liabilities	
Accounts payable	\$ 289,102
Due to other funds	<u>2,432,842</u>
 Total liabilities	 <u>\$ 2,721,944</u>
Net assets	
Held in trust for pension benefits	<u>\$ 448,348,173</u>

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Pension (and Other Post Employment Benefits) Trust Funds
Additions	
Contributions	
Employer	\$ 7,025,628
Plan members	6,994,269
Investment income (loss)	
Realized/unrealized gain (loss) on investments	39,440,292
Interest income	7,533,538
Dividend income	3,524,538
Less investment expense	
Investment expenses	<u>1,584,672</u>
Net investment income	<u>48,913,696</u>
Total additions	<u>62,933,593</u>
Deductions	
Benefits paid to plan members & beneficiaries	33,910,969
Administrative expense	<u>23,299</u>
Total deductions	<u>33,934,268</u>
Net increase (decrease)	28,999,325
Net assets held in trust for pension benefits, beginning of year	<u>419,348,848</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 448,348,173</u>

The accompanying notes are an integral part of the financial statements.

City of Lansing
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Notes to the Financial Statements

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City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The City of Lansing (the "City") was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Reporting entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

- (1) **Blended Component Units:** A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has three blended component units, the Building Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority, each with a fiscal June 30 year-end. These three component units provide services primarily to benefit the City. The blended units are as follows:
 - (a) **Building Authority (the "Authority"):** The Authority was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority's governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City's Municipal Parking System and Golf enterprise funds, the 1998 Building Authority Debt Service Fund and the Building Authority Firing Range Capital Projects Fund.
 - (b) **Tax Increment Finance Authority ("TIFA"):** The TIFA was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. The Act allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City. The TIFA is reported as a special revenue fund.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

(1) Blended Component Units (continued)

- (c) **Brownfield Redevelopment Authority:** The Authority was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the Act). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the Authority to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the Authority to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the Authority include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant. The Brownfield Redevelopment Authority is reported as a special revenue fund and also as an internal service fund.

- (2) **Discretely Presented Component Unit:** Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented unit with a June 30 year-end follows:

- (a) **Lansing Entertainment and Public Facilities Authority ("LEPFA"):** LEPFA was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). The LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Oldsmobile Park stadium. It assumed the oversight responsibilities of the City Market and Oldsmobile Park commencing July 1, 1996.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City. The Authority's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council. The LEPFA is discretely presented on both the basic financial statements and the fiduciary fund statements.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

- (3) **Component Unit Financial Statements:** Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

Lansing Entertainment and Public Facility Authority
333 East Michigan Avenue
Lansing, Michigan 48933

Tax Increment Finance Authority and the Brownfield Redevelopment Authority
316 N. Capital Ave.
Lansing, Michigan 48933

Building Authority
8th Floor
124 West Michigan Avenue
Lansing, Michigan 48933

Basic Financial Statements – GASB Statement #34

During fiscal year 2002, the City adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37 and No. 38, and applied those standards as of July 1, 2001. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management but can be removed or modified.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

Basic Financial Statements – GASB Statement #34 (continued)

The government-wide Statement of Activities reflects both the gross and net costs per functional category (General Government, Public Safety, Recreation and Culture and Community Development), which are otherwise being supported by general government revenues (property, income tax and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function otherwise it is reported as a general revenue. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or activity) is normally covered by the City's general revenues. Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund), to support General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds major and non-major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget fiscal plan. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available means collectible within the following three months. Major revenue sources that meet the availability criterion are the City's income tax, and the state shared revenues. Property taxes are generally billed and collected within the same period in which the taxes are levied. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that interest on general obligation long-term debt and compensated absences, if any, are recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

Basic Financial Statements – GASB Statement #34 (continued)

When appropriate, surplus or deficits in the Internal Service Funds are allocated back to the various users within the entity-wide Statement of Activities.

The activities of the City are categorized as either governmental or business-type in both the government-wide and fund financial statements. The majority of the City's activities are governmental activities and are supported primarily by property taxes, income taxes, charges for services and intergovernmental revenues while business-type activities are supported by fees and charges for services. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund activity between governmental activities and business-type activities has not been eliminated so as to not distort the direct costs and program revenues of the various functions.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the GASB Statement No. 34 model is on the City as a whole and the fund financial statements. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Fund accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Additionally the City reports the following funds:

Major Funds

The City reports the following major governmental funds:

- (1) The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- (2) The Act 51, Major Streets Fund was created to account for revenue received from the State of Michigan for the City's share of State gasoline and weight taxes, which is restricted for maintenance of the City's major streets.
- (3) The Act 51, Local Streets Fund was created to account for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is restricted for maintenance of the City's local streets.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

Major Funds (continued)

The City reports the following major enterprise funds:

- (4) The Sewage Disposal System Fund accounts for the provision of sewage disposal services to the residents of the City.
- (5) The Municipal Parking System Fund accounts for the operations of the City-owned parking facilities.

Non-Major Funds

The City reports the following non-major funds:

(1) Non-Major Governmental Funds

- (a) **Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Special Revenue Funds used by the City are as follows:

- **Budget Stabilization Fund:** This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.
- **Drug Law Enforcement Fund:** This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.
- **State and Federal Programs Fund:** This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.
- **Community Development Block Grant Program Fund:** This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.
- **Stadium Fund:** This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.
- **Principal Shopping District Fund:** This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(1) Non-Major Governmental Funds (continued)

(a) Special Revenue Funds (continued)

- **911 Communications Center Fund:** This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.
- **Building Department Fund:** This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).
- **Parks Department Fund:** This fund accounts for contributions and transfers which are restricted for park expenditures.

(b) Debt Service Funds: Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs (see note 5). Debt Service Funds used by the City are as follows:

- **1990 Special Assessments Fund:** This fund accounts for the accumulation of resources for payment of the 1990 \$800,000 Special Assessment Bonds.
- **1996 Refunding Bonds Fund:** This fund accounts for the accumulation of resources for payment of the 1996 \$10,800,000 Refunding Bonds.
- **1998 Building Authority Fund:** This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.
- **1999 Fire Station Fund:** This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.
- **2001 Fire Station Fund:** This fund accounts for the accumulation of resources for payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(1) Non-Major Governmental Funds (continued)

- (c) **Capital Projects Funds:** Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Capital Projects Funds used by the City are as follows:

- **1969 Storm Sewers Fund:** This fund accounts for the proceeds of the 1969 \$3,700,000 Storm Sewer and Drain bonds.
- **1984 Street Improvements Fund:** This fund accounts for the proceeds of the 1984 \$2,200,000 loan from the State of Michigan Department of Transportation.
- **1986 Street Improvements Fund:** This fund accounts for the proceeds of the 1986 \$2,000,000 Michigan Transportation Fund bonds.
- **1987 Street Improvements Fund:** This fund accounts for the proceeds of the 1987 \$22,000,000 Unlimited Tax bonds.
- **1988 Environmental Fund:** This fund accounts for the proceeds of the 1988 \$1,700,000 Environmental Cleanup bonds.
- **1990 Environmental I Fund:** This fund accounts for the proceeds of the 1990 \$7,000,000 Environmental bonds.
- **1990 Environmental II Fund:** This fund accounts for the proceeds of the 1990 \$6,300,000 Environmental bonds.
- **Combined Sewer Overflow Fund:** This fund accounts for the storm sewer portion of the combined sewer overflow bonds.
- **Special Assessments Fund:** This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.
- **1999 Fire Station Fund:** This fund accounts for the proceeds of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.
- **2001 Fire Station Fund:** This fund accounts for the proceeds of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.
- **Miscellaneous Fund:** This fund accounts for miscellaneous capital projects.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(1) Non-Major Governmental Funds (continued)

- (d) **Permanent Funds:** Permanent funds are used for reporting resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as cemetery and parks.

- **Cemetery Perpetual Care Fund:** This fund accounts for transfers from the Cemetery Fund, representing 20% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.
- **Parks Trust Fund:** This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

(2) Non-Major Proprietary Funds

- (a) **Enterprise Funds:** Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Non-Major Enterprise Funds used by the City are as follows:

- **Cemetery Fund:** This fund accounts for the operation of City-owned cemeteries.
- **Golf Fund:** This fund accounts for the operation of the City-owned golf courses.
- **Garbage and Rubbish Collection Fund:** This fund accounts for the provision of household solid waste disposal services to participating residents of the City.
- **Recycling Fund:** This fund accounts for the provision of recycling services to participating residents of the City.
- **Potter Park Zoo Fund:** This fund accounts for the operations of the Potter Park Zoo.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

- (3) **Internal Service Funds:** Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

- **Public Service Garage Fund:** This fund is used by the City to account for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.
- **Local Site Remediation Revolving Fund:** This fund accounts for the activities of the Brownfield Redevelopment Authorities site remediation activities.

(4) Fiduciary Funds

- (a) **Trust Funds:** Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust Funds. Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical.

Fiduciary Funds used by the City are as follows:

- **Employees' Retirement System Fund:** This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City except for police officers and firefighters, who are members of a separate pension plan (see note 10).
- **Police and Fire Retirement System Fund:** This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible police officers and firefighters who are full-time employees of the City (see note 10).
- **Employees' Money Purchase Pension Plan Fund:** This fund accounts for the accumulation of resources to be used for retirement distributions for certain City employees (see note 10).

Capital Assets

Capital assets and certain improvements of governmental fund types are recorded in the Statement of Net Assets at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Infrastructure, such as roads and bridges, was capitalized for the first time in fiscal year 2001-2002. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method.

Deferred Revenue

In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash is received prior to being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Revenues and Expenses

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. personal services, depreciation, and investment revenue). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Long-Term Liabilities

In the government-wide statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as an other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Net Assets/ Fund Balance

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements. The fund balances are as follows:

	Designated for Subsequent Year's Expenditures	Undesignated	Total Unreserved Fund Balances
General Fund	\$ 605,042	\$ 5,001,916	\$ 5,606,958
Act 51 Major Streets	2,093,760	2,544,311	4,638,071
Act 51 Local Streets	490,739	1,132,461	1,623,200
Non-Major Special Revenue Funds	2,137,187	9,552,112	11,689,299
Capital Projects	9,800,669	5,493,193	15,293,862
	<u>\$ 15,127,397</u>	<u>\$ 23,723,993</u>	<u>\$ 38,851,390</u>

Reservations

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for appropriation for the general purposes of the fund.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Capital assets and long-term liabilities

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, drains, and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. Infrastructure ("public domain") assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters, are capitalized. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included on the government-wide statement of net assets.

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceed \$5,000. The road and sewer networks are all capitalized regardless of cost. Buildings are capitalized over \$100,000, and the recreational facilities' thresholds range from \$25,000 to \$50,000.

Depreciation of all exhaustible capital assets is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-50 years
Improvements	8-50 years
Equipment	3-15 years
Sanitary sewers	50 years
Infrastructure	10-75 years

Basis of accounting

Expenditures are generally recognized when the related fund liability is incurred.

All proprietary funds and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recorded at the time liabilities are incurred. As allowed by Governmental Accounting Standards Board ("GASB") Statement No. 20, the City's proprietary funds (excluding internal service funds) follow all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Budgets and budgetary accounting

State law requires each local unit to pass a general appropriations act for all funds except trust and agency, internal service, enterprise, and capital projects.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing on the proposed use of funds is held by the Mayor, and a public hearing on the annual appropriations as proposed by the City Council is held no later than one week prior to adoption of the annual appropriation measure.
3. Not later than the third Monday in May, the Council adopts a budget for the ensuing fiscal year, makes an appropriation of the money needed therefore, and sets the property tax rate necessary to support the appropriations measure.

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Budgets and budgetary accounting (continued)

4. The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. The legal level of budgetary control is the mandatory expenditure accounts level. The mandatory accounts are personal services, supplies and operating expense, capital outlay, debt service, transfers and contingency. Transfers of appropriations between the mandatory accounts require the approval of the City Council. However, the Mayor may authorize budget transfers between mandatory accounts in a department, but the additional amount may not exceed fifteen (15%) of the Council's appropriation being added to, or five thousand dollars (\$5,000), whichever is less. Budget-to-actual schedules that demonstrate compliance at the legal level of budgetary control are not included herein as it would be impractical due to the high level of detail that would be needed. Such schedules are included in the City's separately issued Budget Report. Copies of the report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.
5. Funds for which annual operating budgets are formally adopted are the **General Fund**; **Special Revenue Funds**: Brownfield Redevelopment Authority; Tax Increment Finance Authority; Budget Stabilization; Drug Law Enforcement; State and Federal Programs; Community Development Block Grant Program; Stadium; Principal Shopping District; 911 Communications Center; Building Department; **Debt Service Funds**: 1990 Special Assessments; 1996 Refunding Bonds; 1998 Building Authority; 1999 Fire Station; 2001 Fire Station.

Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not.

6. Budgeted amounts are as originally adopted or as legally amended during the year. During the year, several supplementary appropriations were necessary. These amendments were mostly due to bond issues and state and federal grants.
7. Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General Fund, and Act 51 Streets Funds. Encumbrances outstanding at year-end for unfulfilled obligations of the current year budget are re-appropriated in the succeeding year.

Investments

Investment income from the City's pooled cash account is allocated on a pro-rata basis to participating funds based on each fund's average daily equity balance within the account. All investments are recorded at fair value except those investments that have an original maturity of less than one year, in accordance with GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools".

City of Lansing

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Budgets and budgetary accounting (continued)

Inventories

Inventories are valued at cost determined by either the moving weighted average method or the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure or expense at the time individual inventory items are used.

Compensated absences

In governmental funds, compensated absences are recorded as expenditures in the year paid. The unpaid liability at June 30, 2004 requiring expendable available financial resources is immaterial.

Unpaid compensated absences applicable to proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

Capitalized interest

The City capitalizes net interest costs in its Sewage Disposal System Fund on bonds issued for capital construction in accordance with Statements of Financial Accounting Standards ("SFAS") Nos. 34 and 62. Total interest expenses for the year ended June 30, 2004, was \$3,754,300 of which \$1,322,942 was capitalized.

Statement of cash flows

For purposes of the statement of cash flows, cash and cash equivalents consist of cash and all highly liquid investments (including restricted assets) with an original maturity when purchased of three months or less.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Joint ventures

In 1998, the City entered into an agreement with Ingham County to form the City of Lansing and County of Ingham Joint Building Authority for the purpose of constructing and managing a building in downtown Lansing that will house the courts, prosecuting attorney and other related departments. The Authority is governed by a three-member board composed of one member each appointed by the City and County and one appointed jointly by the two units. Both the County and City will contribute cash and/or property to the Authority. Bonds were issued in 1999 by the Authority to provide the additional funding necessary to construct the building. Because the joint venture agreement does not provide an explicit contractual formula outlining the City's claim to the Authority's assets, it is deemed to be a "joint venture with no equity interest." Accordingly, no amounts are reported in the accompanying financial statements for the City's equity in the Authority. Complete financial statements for the joint venture may be obtained from:

City of Lansing and County of Ingham
Joint Building Authority
Ingham County Financial Services
PO Box 319, 121 East Maple Street
Mason, MI 48854

City of Lansing

Notes to Financial Statements

2. Property Taxes

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's Tax Revolving Funds. Collections of community college, school, and county taxes and remittances are accounted for in the General Fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

The City is permitted by charter and state law to levy taxes up to \$19.2635 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2004 was \$14.90 per \$1,000 of taxable value which means the City has a tax margin of \$4.3635 per \$1,000 which amounts to approximately \$9,806,878 of additional revenues per year if levied based on the 2003 taxable valuation of approximately \$2,247,479,770.

3. Deposits and Investments

The City Treasurer maintains a pooled cash account for use by the City's various funds. Equity in pooled cash consists of the following at June 30, 2004:

Cash	\$ 517,177
Cash equivalents	<u>33,485,878</u>
Total equity in pooled cash	<u>\$ 34,003,055</u>

In addition to equity in the Treasurer's pooled cash account, a number of funds maintain their own deposit and investment balances. A reconciliation of deposits and investments to the balance sheet for the primary government is as follows:

	Cash and cash equivalents	Investments	Total
Equity in pooled cash	\$ 34,003,055	\$ -	\$ 34,003,055
Cash and cash equivalents, nonrestricted	30,340,330	-	30,340,330
Cash and cash equivalents, restricted	48,791,437	-	48,791,437
Investments, nonrestricted	-	34,500	34,500
	<u>\$ 113,134,822</u>	<u>\$ 34,500</u>	<u>\$ 113,169,322</u>

Deposits

At year-end, the carrying amount of the City's cash and cash equivalents were \$113,134,822 and the bank deposit balance was \$104,292,038. Of the bank balance, \$930,675 was covered by federal depository insurance. The remainder was uncollateralized and uninsured.

City of Lansing

Notes to Financial Statements

3. Deposits and Investments (continued)

Investments

State statutes authorize the City to invest its surplus funds in securities of the U. S. government and U. S. government agencies and instrumentalities in which principal and interest is fully guaranteed by the United States, commercial paper rated within the two highest classifications by two standard rating services, U. S. government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, and in mutual funds composed of vehicles legal for direct investment. During fiscal year 2004, the City maintained all its commercial paper within the highest classification of the two rating services.

The Sewage Disposal System's investments and portions of the Municipal Parking System's and Golf Fund's investments are authorized by statutes governing revenue bonds. Investments are authorized in securities of the U. S. government and U. S. government agencies and instrumentalities.

The City's investment policy for the pension systems reported in the Fiduciary Funds include the authorization to invest in corporate bonds rated at least BAA or better by Moody's or Standard and Poor's, common stock, securities of the U.S. government and U.S. government agencies and instrumentalities, and cash equivalents as authorized by Act 314 of the Michigan Public Acts of 1965, as amended.

The City's investments are categorized to give an indication of the level of credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

	Category (1)
U. S. government and agency securities	\$ 112,530,447
Corporate bonds	31,811,945
Common stock	<u>210,117,243</u>
Subtotal	354,459,635
Investment in mutual funds (non-categorized)	<u>73,146,279</u>
Total investments at fair value	<u>\$ 427,605,914</u>
<u>As Reported on the Statements of Net Assets and Statement of Fiduciary Net Assets</u>	
Governmental activities	\$ 34,500
Fiduciary funds	<u>427,571,414</u>
Total	<u>\$ 427,605,914</u>

Component Units

At year-end, the component units, including the Tax Increment Finance Authority - Convention/Exhibition Hall, Brownfield Redevelopment Authority, and Lansing Entertainment and Public Facilities Authority, had a total deposit and investment balance of \$5,381,088. Of the total deposits and investments balance, \$506,883 is for non-restricted cash and cash equivalents, \$397,273 in restricted cash and cash equivalents, and \$4,476,932 in non-restricted investments. The carrying amount of deposits was \$904,156 and the bank deposit balance was \$1,135,072. Of the bank balance, \$200,000 was covered by federal depository insurance. The investments for the component units in the amount of \$4,476,932 are in pooled government funds and not categorized. The fair value of the investments approximates cost.

City of Lansing

Notes to Financial Statements

4. Capital Assets

A summary of changes in Governmental Activities capital assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Primary government				
Capital assets, not being depreciated				
Land	\$ 24,435,371	\$ 88,000	\$ -	\$ 24,523,371
Construction in progress	5,658,809	3,885,705	5,511,169	4,033,345
Total capital assets, not being depreciated	30,094,180	3,973,705	5,511,169	28,556,716
Capital assets, being depreciated				
Land improvements	6,847,138	1,109,545	-	7,956,683
Equipment and vehicles	20,971,949	1,248,157	279,450	21,940,656
Buildings	81,003,385	3,246,603	-	84,249,988
Infrastructure	324,617,012	3,165,513	7,084,870	320,697,655
Total capital assets, being depreciated	433,439,484	8,769,818	7,364,320	434,844,982
Less accumulated depreciation for				
Land improvements	3,131,592	370,096	-	3,501,688
Equipment and vehicles	16,845,133	1,499,958	279,450	18,065,641
Buildings	34,151,733	2,174,045	-	36,325,778
Infrastructure	181,048,448	8,817,858	7,084,870	182,781,436
Total accumulated depreciation	235,176,906	12,861,957	7,364,320	240,674,543
Total capital assets, being depreciated, net	198,262,578	(4,092,139)	-	194,170,439
Primary government capital assets, net	\$ 228,356,758	\$ (118,434)	\$ 5,511,169	\$ 222,727,155

City of Lansing
Notes to Financial Statements

4. Capital Assets (continued)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Internal Service Funds				
Capital assets, not being depreciated				
Land	\$ 55,297	\$ -	\$ -	\$ 55,297
Total capital assets, not being depreciated	55,297	-	-	55,297
Capital assets, being depreciated				
Equipment and vehicles	11,529,668	1,248,025	713,150	12,064,543
Buildings	2,954,412	-	-	2,954,412
Total capital assets, being depreciated	14,484,080	1,248,025	713,150	15,018,955
Less accumulated depreciation for				
Equipment and vehicles	9,064,067	845,494	713,150	9,196,411
Buildings	423,012	59,948	-	482,960
Total accumulated depreciation	9,487,079	905,442	713,150	9,679,371
Total capital assets, being depreciated, net	4,997,001	342,583	-	5,339,584
Internal Service Funds capital assets, net	\$ 5,052,298	\$ 342,583	\$ -	\$ 5,394,881
Governmental funds capital assets, net	\$ 233,409,056	\$ 224,149	\$ 5,511,169	\$ 228,122,036

Depreciation expense was charged to the governmental functions as follows:

	Governmental Assets	Internal Service Assets	Total
Governmental activities:			
General government	329,169	\$ 905,442	\$ 1,234,611
Public safety	1,208,418	-	1,208,418
Public works	8,846,978	-	8,846,978
Recreation and culture	1,196,277	-	1,196,277
Community development	1,281,115	-	1,281,115
	<u>\$ 12,861,957</u>	<u>\$ 905,442</u>	<u>\$ 13,767,399</u>

City of Lansing

Notes to Financial Statements

4. Capital Assets (continued)

A summary of changes in Business Type Activities capital assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business type activities				
Capital assets, not being depreciated				
Land	\$ 22,581,816	\$ -	\$ -	\$ 22,581,816
Construction in progress	53,605,960	35,698,962	34,805	89,270,117
Total capital assets, not being depreciated	76,187,776	35,698,962	34,805	111,851,933
Capital assets, being depreciated				
Land improvements	22,468,516	14,971	-	22,483,487
Equipment and vehicles	5,325,514	226,702	112,482	5,439,734
Buildings	166,841,448	1,423,598	-	168,265,046
Sewers	129,860,728	-	-	129,860,728
Total capital assets, being depreciated	324,496,206	1,665,271	112,482	326,048,995
Less accumulated depreciation for				
Land improvements	8,234,180	592,520	-	8,826,700
Equipment and vehicles	3,762,142	420,151	112,482	4,069,811
Buildings	71,993,624	4,541,932	-	76,535,556
Sewers	27,290,071	2,837,435	-	30,127,506
Total accumulated depreciation	111,280,017	8,392,038	112,482	119,559,573
Total capital assets, being depreciated, net	213,216,189	(6,726,767)	-	206,489,422
Primary government capital assets, net	\$ 289,403,965	\$ 28,972,195	\$ 34,805	\$ 318,341,355

Construction in progress of proprietary fund types is comprised of the following:

	Project authorization*	Expended to June 30, 2004
Sewage Disposal System, sewer and plant improvements	\$ 97,766,505	\$ 73,917,518
Potter Park Zoo, miscellaneous	7,000	3,592
Golf, land improvements	321,570	125,616
Municipal Parking System, land	22,884,650	14,432,708
	\$ 120,979,725	\$ 88,479,434

*Does not include capitalized interest.

City of Lansing

Notes to Financial Statements

5. Debt

Short-term debt

The following is a schedule of short-term debt used to finance current projects as of June 30, 2004, for all short-term activity during the year (in thousands of dollars):

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Short-term note payable for the finance of the City fire truck with Delhi Township, MI	\$ -	\$ 300	\$ -	\$ 300
Total short-term debt	\$ -	\$ 300	\$ -	\$ 300

Long-term debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2004 (in thousands of dollars):

	General obligations bonds	Special assessment debt with government commitment	Loans	Lease purchases	Accrued compensated absences
Payable at July 1, 2003	\$ 29,553	\$ 65	\$ 534	\$ 9,319	\$ 10,650
Increase in accrued workers compensation	-	-	-	-	-
2004 debt issues	-	-	-	784	-
Debt retired	(4,475)	(20)	(126)	(1,869)	-
Increase in accrued compensated absences	-	-	-	-	7,308
(Decrease) in accrued compensated absences	-	-	-	-	(7,362)
Payable at June 30, 2004	25,078	45	408	8,234	10,596
Less current portion	4,840	10	131	1,779	7,583
Long-term payable at June 30, 2004	\$ 20,238	\$ 35	\$ 277	\$ 6,455	\$ 3,013

	Accrued workers' compen- sation	Accrued general liability claims	Internal service Accrued compensated absences	Capital leases	Total general long-term debt governmental activities
Payable at July 1, 2003	\$ 3,479	\$ 400	\$ 104	\$ 1,725	\$ 55,829
Increase in accrued workers compensation	70	-	-	-	70
2004 debt issues	-	-	-	-	784
Debt retired	-	-	-	(100)	(6,590)
Increase in accrued compensated absences	-	-	59	-	7,367
(Decrease) in accrued compensated absences	-	-	(56)	-	(7,418)
Payable at June 30, 2004	3,549	400	107	1,625	50,042
Less current portion	1,442	-	58	100	15,943
Long-term payable at June 30, 2004	\$ 2,107	\$ 400	\$ 49	\$ 1,525	\$ 34,099

City of Lansing

Notes to Financial Statements

5. Debt (continued)

	Proprietary fund types - enterprise				Component Unit
	General obligations bonds	Revenue bonds	Loans	Accrued compensated absences	Lansing entertainment and public Facilities Authority
Payable at July 1, 2003	\$ 129,297	\$ 29,230	\$ -	\$ 1,039	\$ 169
2004 debt issues	33,671	39,880	4,180	-	50
Debt retired	(4,665)	(13,735)	-	-	(57)
Increase in accrued compensated absences	-	-	-	837	-
(Decrease) in accrued compensated absences	-	-	-	(724)	-
	158,303	55,375	4,180	1,152	162
Less unamortized discount/premium	(15,211)	921	-	-	-
Less deferred loss on extinguishment of debt	(1,766)	(1,075)	-	-	-
Payable at June 30, 2004	141,326	55,221	4,180	1,152	162
Less current portion	5,350	3,665	-	720	49
Long-term payable at June 30, 2004	\$ 135,976	\$ 51,556	\$ 4,180	\$ 432	\$ 113

City of Lansing
Notes to Financial Statements

5. Debt (continued)

Long-term debt payable for the Primary Government at June 30, 2004 is comprised of the following:

	Principal amount (in thousands) of dollars)
General obligation bonds	
\$4,000,000 - 2001 Unlimited Tax bonds, due in annual installments of \$135,000 to \$300,000 through May 1, 2019; interest rates ranging from 4.0% to 5.0% (this issue is being serviced - principal and interest - by the 2001 Fire Station Debt Service Fund)	\$ 3,750
\$7,225,000-1992 Limited Tax bond, due in annual installments of \$355,000 to \$425,000 through October 1, 2013; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	3,905
\$9,370,000-1993 Limited Tax bond, due in annual installments of \$385,000 to \$470,000 through October 1, 2014; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	4,705
\$3,725,000-1994 Limited Tax bond, due in annual installments of \$150,000 to \$185,000 through October 1, 2015; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	2,010
\$4,170,000-1994 Limited Tax bond, due in annual installments of \$116,930 to \$230,000 through October 1, 2015; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	2,257
\$575,000-1994 Limited Tax bond, due in annual installments of \$30,000 to \$35,000 through April 1, 2013; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	290
\$8,430,000-1995 Limited Tax bond, due in annual installments of \$315,000 to \$465,000 through April 1, 2015; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	4,665
\$3,475,000-1996 Limited Tax bond, due in annual installments of \$155,000 to \$200,077 through April 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	2,330
\$3,995,000-1996 Limited Tax bond, due in annual installments of \$185,000 to \$245,000 through October 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	2,980
\$10,340,000-2003 Building Authority "A" tax exempt bonds, due in annual installments of \$155,000 to \$725,000 through June 1, 2029; interest at rates ranging from 2.25% to 5.00% per annum (this issue is being serviced - principal and interest - by the Municipal Parking System Fund.	10,340
\$8,660,000-2003 Building Authority "B" taxable bonds, due in annual installments of \$200,000 to \$640,000 through June 1, 2029; interest at rates ranging from 2.90% to 6.25% per annum (this issue is being serviced - principal and interest - by the Municipal Parking System Fund.	8,660

City of Lansing
Notes to Financial Statements

5. Debt (continued)

	Principal amount (in thousands) of dollars)
General obligation bonds (continued)	
\$10,800,000-1996 Unlimited Tax Refunding bonds, due in annual installments of \$1,210,000 to \$1,470,000; interest at rates ranging from 4.6% to 6.0% (this issue is being serviced - principal and interest - by the 1996 Refunding Bonds Debt Service Fund)	\$ 6,690
\$5,090,000-1998 Limited Tax bond, due in annual installments of \$86,985 to \$300,000 through October 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	3,497
\$11,255,000-1998 Limited Tax bond, due in annual installments of \$273,019 to \$660,000 through October 1, 2018; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	8,303
\$2,175,000-1998 Limited Tax bond - Building Authority, due in annual installments of \$90,000 to \$160,000; through June 1, 2018; interest at rates ranging from 4.5% to 5.0% (this issue is being serviced - principal and interest - by the Building Authority Debt Service Fund)	1,775
\$3,000,000-1999 Unlimited Tax Bond, due in annual installments of \$145,000 to \$200,000 through May 1, 2019; interest at rates ranging from 5.0% to 5.7% (this issue is being serviced - principal and interest - by the 1999 Fire Station Debt Service Fund)	2,685
\$10,120,000-1999 Limited Tax bond, due in annual installments of \$86,225 to \$605,000 through April 1, 2018; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	7,311
\$9,805,000-2000 Limited Tax bond, due in annual installments of \$415,000 to \$570,000 through April 1, 2008; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	7,369
\$10,860,000 - 2001 Limited Tax Bond, due in annual installments of \$341,095 to \$665,000 through April 1, 2015; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	9,661
\$13,645,000 - 2002 Limited Tax bond, due in annual installments of \$530,000 to \$795,000 through April 1, 2006; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	11,678
\$800,000 - 1986 Limited Tax Bond, due in annual installments of \$65,000 to \$70,000 through June 1, 2006; interest at a rate of 6.75% per annum (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	135
\$10,350,000 - 2003 Limited Tax Bond, due in annual installments of \$405,000 to \$575,000 through October 1, 2021, interest at a rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	7,826
\$4,670,000 - 2004 Limited Tax Bond, due in annual installments of \$176,711 to \$195,000 through October 1, 2009, interest at a rate of 2.125% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	565
\$9,605,000 - 2004 Limited Tax Bond, due in annual installments of \$271,515 to \$390,000 through October 1, 2008, interest at a rate of 2.125% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	661

City of Lansing
Notes to Financial Statements

5. Debt (continued)

	Principal amount (in thousands) of dollars)
General obligation bonds (continued)	
\$64,635,000-1990 Limited Tax bonds, due in annual installments of \$4,140,000 to \$4,145,000 beginning June 1, 2006 through June 1, 2015; interest at rates ranging from 7.30% to 7.45% (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	\$ 41,410
\$25,100,000-1995 Limited Tax bonds, due in annual installments of \$715,000 to \$1,595,000 through June 1, 2019; interest at rates ranging from 5.20% to 5.80% (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	16,745
\$1,300,000-1996 Limited Tax bonds, due in annual installments of \$50,000 to \$105,000 through October 1, 2016; interest at rates ranging from 4.80% to 5.70% (this issue is being serviced - principal and interest - by the Golf Fund)	1,000
\$25,108,133 - 1994 Limited Tax increment bonds, due in annual installments of \$42,828 to \$3,260,000 through May 1, 2020; interest at the average rate of 6.55% per annum (this issue is being serviced - principal and interest - by the Tax Increment Finance Authority)	10,178
Subtotal	183,381
Less	
Unamortized discount	(15,211)
Deferred loss on extinguishment of debt	(1,766)
Total general obligation bonds	\$ 166,404
Revenue bonds	
\$20,845,000-1994 Sewage Disposal System bonds, due in annual installments of \$430,000 to \$470,000 through May 1, 2006; interest at rates ranging from 5.30% to 5.40% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund and is secured by the revenues of the system)	900
\$26,415,000-1998 Sewage Disposal System bonds, due in annual installments of \$875,000 to \$3,240,000 through May 1, 2014; interest at rates ranging from 4.00% to 5.0% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	14,685
\$39,880,000-2003 Sewage Disposal System bonds, due in annual installments of \$575,000 to \$2,365,000 through May 1, 2028; interest at rates ranging from 2.00% to 5.0% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	39,790
Subtotal	55,375
Less	
Unamortized discount	921
Deferred loss on extinguishment of debt	(1,075)
Total long-term revenue bonds	\$ 55,221

City of Lansing
Notes to Financial Statements

5. Debt (continued)

	Principal amount (in thousands) of dollars)
Special assessment debt with government commitment	
\$800,000-1990 Limited Tax Special Assessment bonds, due in annual installments of \$10,000 to \$15,000 through October 1, 2007; interest at a rate of 5.0% (this issue is being serviced - principal and interest - by the Special Assessments Debt Service Fund)	\$ 45
Lease purchase agreements	
\$609,084-1998 Lease Purchase Agreement for Radios in annual installments of \$102,612 through June 2005; interest at 4.81% (this issue is being serviced-principal and interest - by the General Fund)	\$ 98
\$11,000,000-1999 Lease Agreement for Baseball Stadium, due in annual installments of \$860,000 to \$1,170,000 through June 1, 2010; interest at the rate of 5.969% per annum (this issue is being serviced - principal and interest - by the Stadium Fund)	6,000
\$209,873-2004 Lease Purchase Agreement for Computer System and software in monthly installments of \$6,267 through January 2007; interest at 5.545% (this issue is being serviced - principal and interest - by the General Fund)	193
\$1,500,000 - 2002 Lease Purchase Agreement for computer software, due in annual installments of \$290,000 to \$320,000 through August 1, 2007 ; interest at a rate of 3.20% per annum (this issue is being serviced - principal and interest - by the General Fund)	1,220
\$1,925,000 - 2001 Lease Purchase for O&M Facility, due in annual installments of \$105,000 to \$155,000 through March 1, 2016; interest at the rate of 5.350% (this issue is being serviced - principal and interest - by the Public Service Garage Fund)	1,625
\$999,987-1999 Lease Purchase Agreement for Computer Software applications in monthly installments of \$19,560 through February 2005; interest at 6.59% (this issue is being serviced - principal and interest - by the General Fund)	153
\$570,000 - 2004 Lease Purchase for Roofs and Fire Suppression, due in semi-annual installments of \$39,964 through March 1, 2012; interest at the rate of 2.7705% (this issue is being serviced - principal and interest - by the General Fund)	570
Total lease purchase agreements	\$ 9,859
Loans	
\$649,843 - 2001 Michigan Department of Transportation Loan, due in minimum annual installments of \$147,419 through July 1, 2006; interest at 4.00% (this issue is being serviced - principal and interest - by the Act 51 Major Streets Fund)	408
\$4,179,650 - 2003 Michigan Economic Development Corporation Loan, due in annual installments of \$239,472 beginning June 30, 2007 through June 30, 2036, interest rate 4%. (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	4,180
Total loans	\$ 4,588

City of Lansing
Notes to Financial Statements

5. Debt (continued)

	Principal amount (in thousands) of dollars)
Accrued compensated absences	
Liquidation of accrued compensated absences have been reserved to all the enterprise funds, the internal service fund, and the general fund.	<u>\$ 11,855</u>
Accrued workers' compensation liability	<u>\$ 3,549</u>
Accrued general liability claims	<u>\$ 400</u>
Component unit lease purchase agreements at June 30, 2004 are comprised of the following:	
\$51,354-2000 Lease Agreement for a security system in annual installments of \$5,135 plus interest through January 2010; interest at 5.907% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	30
\$110,000-2000 Lease Agreement for computer equipment in quarterly installments of \$5,500 plus interest through January 2005; interest at 5.66% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	17
\$10,500-2002 Lease Agreement for fencing in quarterly installments ranging from \$198 to \$337 plus interest through July 2012; interest at a rate of 5.5% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	9
\$119,012 - 2002 Lease Agreement for computer equipment and other property in quarterly installments ranging from \$1,922 to \$6,679 plus interest through October 2011; interest ranging from 4.55% to 5.62% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	64
\$28,228-2004 Lease Agreement for computer equipment and software in quarterly installments of \$2,496.55 through July 1, 2006; interest at 4.0%(this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	20
\$22,259-2004 Lease Agreement for HVAC equipment in quarterly installments of \$704.59 through April 21, 2014; interest at 4.9%(this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	<u>22</u>
Total component unit lease purchase agreements	<u>\$ 162</u>

City of Lansing

Notes to Financial Statements

5. Debt (continued)

The annual requirements to service all long-term debt outstanding as of June 30, 2004, including interest of \$98,639,282, component unit general obligation bonds including interest of \$25,232,247, and component unit capital leases including interest of \$26,861, are as follows:

Year ending June 30,	Governmental Activities-Principal				Component Unit Lansing Entertainment and Public Facilities Authority Capital Leases	Total
	General obligation bonds	Special assessment debt with government commitment	Lease purchases	Loans		
2005	4,840,000	10,000	1,958,850	131,088	49,739	6,989,677
2006	1,655,000	10,000	1,457,682	136,331	26,950	3,285,963
2007	1,777,828	15,000	1,496,415	140,864	18,329	3,448,436
2008	1,915,536	10,000	1,535,137	-	14,312	3,474,985
2009	2,053,338	-	1,282,094	-	14,832	3,350,264
2010-14	4,092,703	-	1,823,574	-	38,134	5,954,411
2015-19	7,827,667	-	305,000	-	-	8,132,667
2020-24	916,061	-	-	-	-	916,061
	\$ 25,078,133	\$ 45,000	\$ 9,858,752	\$ 408,283	\$ 162,296	\$ 35,552,464

Year ending June 30,	Governmental Activities-Interest				Component Unit Lansing Entertainment and Public Facilities Authority Capital Leases	Total
	General obligation bonds	Special assessment debt with government commitment	Lease purchases	Loans		
2005	942,200	2,000	507,810	16,331	7,451	1,475,792
2006	664,460	1,500	412,651	11,088	5,540	1,095,239
2007	639,602	875	338,706	5,635	4,283	989,101
2008	608,599	250	262,764	-	3,416	875,029
2009	597,627	-	187,799	-	2,591	788,017
2010-14	3,633,747	-	264,667	-	3,580	3,901,994
2015-19	18,287,833	-	24,610	-	-	18,312,443
2020-24	4,458,939	-	-	-	-	4,458,939
	\$ 29,833,007	\$ 4,625	\$ 1,999,007	\$ 33,054	\$ 26,861	\$ 31,896,554

City of Lansing

Notes to Financial Statements

5. Debt (continued)

Business-Type Activities-Principal

Year ending June 30,	General obligation bonds	General Revenue bonds	Loans	Total
2005	5,353,000	3,665,000	-	9,018,000
2006	10,305,000	3,805,000	-	14,110,000
2007	11,065,000	3,950,000	239,472	15,254,472
2008	11,156,515	2,830,000	71,224	14,057,739
2009	11,051,711	2,840,000	74,265	13,965,976
2010-14	56,945,968	15,185,000	421,690	72,552,658
2015-19	36,706,023	8,250,000	519,746	45,475,769
2020-24	9,580,008	8,250,000	640,603	18,470,611
2025-29	6,140,000	6,600,000	789,563	13,529,563
2030-34	-	-	973,162	973,162
2035-36	-	-	449,924	449,924
	<u>\$ 158,303,225</u>	<u>\$ 55,375,000</u>	<u>\$ 4,179,649</u>	<u>\$ 217,857,874</u>

Business-Type Activities-Interest

Year ending June 30,	General obligation bonds	General Revenue bonds	Loans	Total
2005	3,818,297	2,439,962	-	6,258,259
2006	3,672,714	2,298,753	-	5,971,467
2007	3,496,541	2,152,990	-	5,649,531
2008	3,307,601	2,002,400	168,248	5,478,249
2009	3,114,147	1,900,000	165,206	5,179,353
2010-14	12,442,193	7,594,120	775,668	20,811,981
2015-19	6,784,458	4,580,400	677,612	12,042,470
2020-24	2,703,236	2,673,000	556,754	5,932,990
2025-29	1,064,088	767,250	407,794	2,239,132
2030-34	-	-	224,196	224,196
2035-36	-	-	29,019	29,019
	<u>\$40,403,275</u>	<u>\$26,408,875</u>	<u>\$ 3,004,497</u>	<u>\$69,816,647</u>

At June 30, 2004, \$12,852 is available in the Debt Service Funds to service the general obligation bonds.

Capital leases of the City have a value of \$1,709,873 under the equipment category, and \$13,495,000 under buildings.

Operating leases were entered into for a 1998 purchase of Fire Department radios, and 1999 modifications to computer software.

City of Lansing

Notes to Financial Statements

5. Debt (continued)

The following is a schedule of the present value of the net minimum lease payments as of June 30, 2004, for all lease purchase agreements outstanding (in thousands of dollars):

Total minimum lease payments	\$ 8,982
Less amount representing interest	(1,328)
Present value of net minimum lease payments	<u>\$ 7,654</u>

The special assessment debt with government commitment is backed by the full faith and credit of the City. Current debt service requirements are funded through special assessments levied against properties deemed to be benefited by these public improvements.

There are a number of limitations and restrictions contained in the various revenue bond indentures. The City is in substantial compliance with all significant limitations and restrictions.

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on such bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2004, \$6,855,000 of bonds outstanding are considered defeased. Defeased bonds outstanding for the component unit Tax Increment Finance Authority Convention/ Exhibition Hall at June 30, 2004 were \$3,890,000.

6. Risk Management

The City of Lansing is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years.

The City is uninsured for acts of nature and environmental clean-up costs.

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the General Fund, with long term liabilities accounted for in the Statement of Net Assets. The City has excess liability insurance coverage up to a maximum amount of \$2,000,000 per claim with a \$750,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	<u>Fiscal Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Estimated liability, beginning of year	\$ 3,478,831	\$ 3,410,619
Estimated claims incurred, including changes in estimates	1,482,844	1,137,825
Claims payments	<u>(1,413,267)</u>	<u>(1,069,613)</u>
Estimated liability, end of year	<u>\$ 3,548,408</u>	<u>\$ 3,478,831</u>

City of Lansing

Notes to Financial Statements

7. Reconciliation of Interfund Advances and Due To/From

Interfund receivables and payables are recorded for borrowings to eliminate negative balances in the common cash pool and for non-pooled funds to participate in the City's cash disbursement process.

Interfund advances and due to/from balances at June 30, 2004 were:

Due From	Due To					Total
	General Fund	Act 51 Major	Non-major Governmental Funds	Sewage Disposal Fund	Pension Trust Funds	
General Fund	\$ -	\$ -	\$ 6,661,774	\$ -	\$ 994,337	\$ 7,656,111
Non-major Governmental Funds	882,639	2,802,356	817,927	-	-	4,502,922
Sewage Disposal Fund	2,514,635	-	-	3,793,677	-	6,308,312
Municipal Parking System Fund	1,234,226	-	-	-	-	1,234,226
Non-major Enterprise Funds	-	-	632,813	-	-	632,813
Pension Trust Funds	2,432,842	-	-	-	-	2,432,842
Total	\$ 7,064,341	\$ 2,802,356	\$ 8,112,514	\$ 3,793,677	\$ 994,337	\$ 22,767,225

City of Lansing

Notes to Financial Statements

8. Interfund Balances

Transfers are used to 1) move revenues from the fund that is required to collect them to the fund that is required to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 3) transfer budgetary surpluses from the General Fund to the Budget Stabilization Fund or from the Budget Stabilization Fund to other funds when necessary, and 4) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

Interfund transfers between the funds within the Primary Government recorded in the accompanying financial statements for the year ended June 30, 2004 were:

Transferred From	Transferred To						Total
	General Fund	Local Streets Fund	Internal Service Funds	Non-major Governmental Funds	Sewage Disposal Fund	Non-major Enterprise Funds	
General Fund	\$ -	\$ -	\$ -	\$ 3,941,717	\$ 1,038,603	\$ 2,937,234	\$ 7,917,554
Major Streets Fund	-	1,705,267	-	-	-	-	1,705,267
Non-major Governmental Funds	2,272,862	-	24,202	4,391,301	-	9,970	6,698,335
Sewage Disposal Fund	300,000	-	-	-	-	-	300,000
Municipal Parking System Fund	-	-	-	1,000,000	-	-	1,000,000
Non-major Enterprise Funds	-	-	-	17,297	-	-	17,297
Total	\$ 2,572,862	\$ 1,705,267	\$ 24,202	\$ 9,350,315	\$ 1,038,603	\$ 2,947,204	\$ 17,638,453

City of Lansing

Notes to Financial Statements

9. Retirement Commitments

Employees' Retirement System

The City sponsors and administers the Employees' Retirement System (the Plan), a single-employer, defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include approximately half of general employees hired subsequent to September 30, 1990, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City pension plan. The payroll for employees covered by the plan for the year ended December 31, 2003, was \$30,579,238; the City's total payroll was \$65,619,390. Administration of the plan is funded through the General Fund.

As of December 31, 2003, employee membership data, adjusted for members transferring to the Employees' Money Purchase Pension Plan, were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	753
Active members	
Active members vested	304
Active members nonvested	354
Total active members	658

Approximately 25% of the active membership may retire with a combination of age plus service equal to 65. All other members may retire at age 50 with 25 or more years of credited service or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. For all members, annual regular retirement allowances are determined by multiplying total credited service times 2.25% to 2.80% times final average compensation. Final average compensation is the member's highest wages for two consecutive years during the last 10 years. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferring retirement benefits until age 58 or withdrawing their contribution, thereby forfeiting any future benefits.

Active members contribute between 1.7% and 7.25% of wages as determined by individual labor agreements. Chapter 292 of the City of Lansing's Code of Ordinances establishes benefit provisions and requires that the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2004, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. The fund is accounted for in essentially the same manner as the Proprietary Funds and uses the full accrual method of accounting.

City of Lansing

Notes to Financial Statements

9. Retirement Commitments (continued)

Employees' retirement system (continued)

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and 0% to 4% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$200 annually after age 60.

During the year ended June 30, 2004, contributions of \$3,566,759 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2003. The contribution consisted of (a) \$2,683,861 normal cost (13.34% of projected valuation payroll) and (b) \$1,391,615 amortization of the unfunded actuarial accrued liability (6.92% of projected valuation payroll). The City contributed \$3,566,759 (17.73% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$508,717 (2.53% of projected valuation payroll).

At December 31, 2003, the unfunded actuarial accrued liability was \$30,606,939, determined as follows:

Actuarial accrued liability	
Active participants (304 vested and 354 non-vested)	\$ 74,287,872
Retired participants and beneficiaries currently receiving benefits (705 recipients)	130,524,924
Vested terminated participants not yet receiving benefits (48)	2,206,444
Member benefit reserve	<u>16,081,277</u>
Total actuarial accrued liability	223,100,517
Actuarial value of assets (smoothed market value)#	<u>(192,493,578)</u>
Unfunded Actuarial accrued liability	<u>\$ 30,606,939</u>

#Excluding reserve for health insurance in the amount of \$6,384,270

Investments are reported at fair value and are managed by third-party money managers.

City of Lansing
Notes to Financial Statements

9. Retirement Commitments (continued)

Employees' retirement system (continued)

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Schedule of Employer Contributions

Fiscal year ending June 30	Valuation date December 31 (\$ in thousands)	Annual required contributions*	Percentage contributed
1995	1993	3,907	99.9%
1996	1994	4,094	99.9%
1997	1995	4,329	98.9%
1998	1996	4,086	99.2%
1999	1997	3,334	99.8%
2000	1998	3,138	100.0%
2001	1999	3,215	100.0%
2002	2000	3,105	100.0%
2003	2001	3,567	98.1%
2004	2002	3,466	102.9%

**Due on September 1st.*

City of Lansing
Notes to Financial Statements

9. Retirement Commitments (continued)

Employees' Retirement System (continued)

Schedule of Funding Progress

Actuarial valuation date December 31	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age# (b)	Unfunded (Overfunded) AAL (b)-(a)	Funded ratio (a)/(b)	Active member covered payroll (c)	Unfunded (Overfunded) AAL as a percentage of active member covered payroll ((b-a)/c)
<i>(\$ amounts in thousands)</i>						
1995	105,074	153,337	48,263	68.5%	18,209	265.1%
1996	114,420	157,082	42,662	72.8%	18,169	234.8%
1997	127,444	163,238	35,794	78.1%	18,332	195.3%
1997 @	127,444	161,792	34,348	78.8%	18,332	187.4%
1998	143,268	170,775	27,507	83.9%	17,820	154.4%
1999 *	161,958	187,150	25,192	86.5%	19,312	130.4%
2000 *	177,855	198,396	20,541	89.6%	19,521	105.2%
2001	191,311	213,648	22,337	89.5%	20,282	110.1%
2002	192,920	215,405	22,484	89.6%	19,098	117.7%
2003	192,494	223,101	30,609	86.3%	30,579	100.1%

Excluding the contingency reserves in the Reserve for Retired Benefit Payments.

@ After changes in actuarial assumptions establishment of Member Benefit Reserve, elimination of the contingency reserve and adoption of minimum benefit for retirees.

* After changes in benefit provisions.

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded liabilities in isolation can be misleading. Expressing the assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded liabilities as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

City of Lansing

Notes to Financial Statements

9. Retirement Commitments (continued)

Police and Fire Retirement System

The City sponsors and administers the Police and Fire Retirement System (the plan), a single-employer defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers all police officers and firefighters who are full-time employees of the City. The City's payroll for employees covered by the plan for the year ended December 31, 2003, was \$26,484,226, the City's total payroll was \$65,619,390. Administration of the plan is funded through the General Fund.

As of December 31, 2003, employee membership data related to the plan were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	607
Active members:	
Active members vested	228
Active members nonvested	237
Total active members	465

Members may retire at any age with 25 or more years of credited service, or age 55 with 10 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 70. Annual retirement allowances are determined by multiplying final average compensation times 3.05% for fire and 3.20% for police employees times the first 25 years of credited service. The maximum allowance is 76.25% for fire and 80.00% for police employees of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years. When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Fire members are required to contribute 5.72% of their annual wages to the plan. Police supervisors are required to contribute 9.52% and police non-supervisors, 8.50%. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

In addition to the payments under this plan, the City made payments from the General Fund to provide benefits for the beneficiaries of a prior pension plan. This prior plan was superseded by the present plan as of January 1, 1944. There were no payments made to beneficiaries under that plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2004, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

City of Lansing

Notes to Financial Statements

9. Retirement Commitments (continued)

Police and Fire Retirement System (continued)

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and .1 to 5.5% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$525 annually after age 60.

During the year ended June 30, 2004 total contributions of \$4,178,467 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2003. The contribution consisted of (a) \$7,093,424 normal cost (24.41% of projected valuation payroll) and (b) \$(2,914,957) amortization of the unfunded actuarial accrued liability (11.89% of projected valuation payroll).

The City contributed \$3,275,305 (11.27% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$903,162 (3.11% of projected valuation payroll).

At December 31, 2003, the assets in excess of actuarial accrued liability were \$10,160,718, determined as follows:

Actuarial accrued liability	
Active participants (228 vested and 237 non-vested)	\$ 82,196,963
Retired participants and beneficiaries currently receiving benefits (597 recipients)	184,468,860
Vested terminated participants not yet receiving benefits (10 vested)	<u>1,120,380</u>
Total actuarial accrued liability	267,786,203
Actuarial value of assets (smoothed market value)#	<u>277,946,921</u>
Assets in excess of actuarial accrued liability	<u>\$ (10,160,718)</u>

#Excluding reserve for health insurance in the amount of \$9,793,954

Investments are reported at fair value managed by third-party managers.

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had a need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the actuarial accrual liability.

City of Lansing
Notes to Financial Statements

9. Retirement Commitments (continued)

Police and Fire Retirement System (continued)

Schedule of Employer Contributions

Fiscal year ending June 30	Valuation date December 31 (\$ in thousands)	Annual required contributions*	Percentage contributed
1995	1993	\$ 4,385	98.9%
1996	1994	4,335	100.1%
1997	1995	4,669	98.7%
1998	1996	4,252	99.0%
1999	1997	4,380	99.4%
2000	1998	4,063	100.0%
2001	1999	3,561	100.0%
2002	2000	2,665	100.0%
2003	2001	2,637	100.0%
2004	2002	3,287	99.6%

*Due on September 1st.

Schedule of Funding Progress

Actuarial valuation date December 31	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b) (\$ amounts in thousands)	Unfunded (Overfunded) AAL (b)-(a)	Funded ratio (a)/(b)	Active member covered payroll (c)	Unfunded (Overfunded) AAL as a percentage of active member covered payroll ((b-a)/c)
1995	\$ 157,485	\$ 182,127	\$ 24,642	86.5%	20,899	117.9%
1996	172,830	191,074	18,244	90.5%	20,392	89.5%
1997	193,162	206,191	13,029	93.7%	22,419	58.1%
1998	217,011	218,533	1,522	99.3%	22,792	6.7%
1999 *	245,197	233,332	(11,865)	105.1%	24,352	(48.7%)
2000 *	267,020	239,615	(27,405)	111.4%	24,830	(110.4%)
2001	280,518	249,204	(31,314)	112.6%	25,751	(121.6%)
2002	280,686	259,282	(21,404)	108.3%	26,152	(81.8%)
2003	277,947	267,786	(10,161)	103.8%	26,484	(38.4%)

* After changes in benefit provisions.

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability and unfunded liability in isolation can be misleading. Expressing the assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded liability and annual covered payroll are both affected by inflation. Expressing the unfunded liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

City of Lansing

Notes to Financial Statements

9. Retirement Commitments (continued)

Employees' Money Purchase Pension Plan

The City of Lansing sponsors and contributes to the Employees' Money Purchase Pension Plan, which is a single-employer defined - contribution pension plan. Administration of the plan is funded by the General Fund.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As established by Chapter 292.30 of the City of Lansing's Code of Ordinances, this plan includes all elected officials hired subsequent to September 30, 1990, and Teamster and District Court Teamster employees hired subsequent to October 28, 1990. As of June 30, 2004, there were 8 active members in this plan. Contributions made by employees vest immediately, and contributions made by the City vest after three years of full-time employment. When employees terminate employment, they are entitled to their contributions and the City's contributions if vesting requirements are satisfied. Employees may contribute up to 8% of their wages in 1% increments. The City contributes an amount equal to 6.0% of the employees' wages for retirement benefits.

During the year, the City's required and actual contributions amounted to \$304,366, which was approximately 6% of covered payroll for members of this plan. The total payroll for the City for fiscal year ended June 30, 2004, was \$65,619,390. Employees' contributions totaled \$9,756. The payroll for employees in the money purchase pension plan for fiscal year ended June 30, 2004 was \$4,512,099.

No pension provision changes occurred during the year that affected the required contributions to be made by the City. In addition, the plan does not issue stand-alone financial statements.

Employees' Retirement System – Postretirement Health Care Benefits

In addition to the pension benefits described above, the City provides postretirement health care benefits in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court. It also does not include police officers and firefighters who are members of the Police and Fire Retirement System. Depending on date hired, members are eligible to receive health care benefits with a minimum of 8 to 15 years of service and an age requirement ranging from none to age 58. Currently, 691 retirees meet these eligibility requirements. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$54.00 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits totaled \$5,307,090.

There were no significant changes in health benefits over the previous year.

City of Lansing

Notes to Financial Statements

9. Retirement Commitments (continued)

Police and Fire Retirement System - Postretirement Health Care Benefits

In addition to the pension benefits described above, the City provides postretirement health care benefits, in accordance with labor agreements, to full-time police officers and firefighters with a minimum of 15 years of service and an age requirement of 55 years. If service is 25 years or more, there is no age requirement. Currently, 588 retirees meet these eligibility requirements. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$54.00 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits totaled \$7,450,152.

There were no significant changes in health benefits over the previous year.

10. Deferred Compensation Plan

The City offers certain employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits these employees to defer a portion of their salary until future years. The plan is administered by unrelated financial institutions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, the City has not included the total assets of the plan in the financial statements.

11. Contingent Liabilities

The City participates in a number of federally assisted grant programs funded by various departments of the U. S. government. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several other lawsuits incidental to its operations and is aware of certain unasserted claims. In the opinion of management and the City's legal counsel, the outcome of these matters will not have a material adverse effect on the City's financial statements.

12. Accumulated Deficits

Special Assessments Capital Project Deficit

The accumulated deficit of \$414,104 at June 30, 2004, in the Special Assessment Fund is expected to be eliminated as special assessment payments are received.

City of Lansing
Notes to Financial Statements

13. Statement of Net Assets- Reconciliation of Internal Balances

The internal balances is reconciled as follows:

Governmental Activities

Due from other funds	\$ 15,676,740
Due to other funds	(11,295,066)
TIFA capital lease payable	(13,573,924)
	<u>\$ (9,192,250)</u>

Business-Type Activities

Restricted due from other funds	\$ 3,793,677
Due to other funds	(5,097,387)
Restricted due to other funds	(3,077,964)
Parking System Fund receivable-current	375,255
Parking System Fund receivable-Long-term	13,198,669
	<u>\$ 9,192,250</u>

II Financial Section
Required Supplementary Information

City of Lansing
Required Supplementary Information
Budgetary Comparison Schedule
Major Governmental Funds
June 30, 2004

	General Fund			
	Original budgeted amounts	Final budgeted amounts	Actual	Favorable (unfavorable)
Revenues				
Property taxes	\$ 32,387,890	\$ 32,387,890	\$ 32,519,012	\$ 131,122
Income taxes	29,528,100	29,168,611	27,413,270	(1,755,341)
Licenses and permits	783,854	783,854	814,990	31,136
Intergovernmental				
State	19,114,400	17,952,647	17,684,948	(267,699)
Federal	43,300	43,300	41,586	(1,714)
Charges for services	8,995,389	8,995,389	9,544,059	548,670
Fines and forfeits	4,110,300	4,110,300	4,064,161	(46,139)
Interest and rents	677,200	677,200	200,273	(476,927)
Contributions	8,804,850	8,838,546	8,718,450	(120,096)
Miscellaneous	204,600	217,446	157,895	(59,551)
Total revenues	104,649,883	103,175,183	101,158,644	(2,016,539)
Expenditures				
Current operating				
City clerk	499,643	509,623	489,178	20,445
Council	728,679	781,640	714,939	66,701
Courts	3,930,527	3,930,527	4,136,219	(205,692)
Finance	3,469,093	3,332,360	3,258,904	73,456
Fire	14,764,335	14,790,182	14,897,369	(107,187)
General administration	33,574,510	33,669,885	33,108,569	561,316
Highways, streets and sanitation	-	-	-	-
Human relations and community services	664,706	651,525	646,194	5,331
Human services and community support	1,943,082	2,350,427	1,912,924	437,503
Law	742,346	795,572	754,088	41,484
Management services	6,533,152	6,522,467	5,760,384	762,083
Mayor	592,480	583,804	570,080	13,724
Parks and recreation	6,651,983	6,652,784	6,042,375	610,409
Personnel services	930,254	888,768	869,673	19,095
Planning and neighborhood development	2,183,388	2,365,975	1,968,588	397,387
Police	17,991,459	18,158,607	17,844,845	313,762
Public service	2,416,985	2,358,286	2,035,744	322,542
Total current operating expenditures	97,616,622	98,342,432	95,010,073	3,332,359
Capital improvements, construction				
Debt service	817,400	817,400	834,693	(17,293)
Total expenditures	98,434,022	99,159,832	95,844,766	3,315,066
Excess of revenues over expenditures	6,215,861	4,015,351	5,313,878	1,298,527
Other financing sources (uses)				
Transfers in	2,593,406	2,974,877	2,572,862	(402,015)
Transfers out	(8,907,267)	(8,216,794)	(7,917,554)	299,240
Proceeds on sale of capital assets	98,000	98,000	30,814	(67,186)
Total other financing sources (uses)	(6,215,861)	(5,143,917)	(5,313,878)	(169,961)
Net change in fund balances	-	(1,128,566)	-	1,128,566
Fund balance, beginning of year	6,931,067	6,931,067	6,931,067	-
Fund balance, end of year	\$ 6,931,067	\$ 5,802,501	\$ 6,931,067	\$ 1,128,566

Act 51, Public Acts of 1951 Major Streets				Act 51, Public Acts of 1951 Local Streets			
Original budget	Final budget	Actual	Favorable (unfavorable)	Original budget	Final budget	Actual	Favorable (unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,786,790	7,055,894	7,424,581	368,687	1,798,259	1,798,259	1,925,861	127,602
-	-	-	-	-	-	-	-
296,600	296,600	385,684	89,084	232,600	232,600	276,199	43,599
-	-	-	-	-	-	-	-
70,000	70,000	31,726	(38,274)	20,000	20,000	6,084	(13,916)
-	-	-	-	-	-	-	-
885,000	885,000	553,017	(331,983)	-	-	-	-
8,038,390	8,307,494	8,395,008	87,514	2,050,859	2,050,859	2,208,144	157,285
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,178,854	6,944,855	3,713,141	3,231,714	4,057,000	4,064,431	3,467,119	597,312
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,178,854	6,944,855	3,713,141	3,231,714	4,057,000	4,064,431	3,467,119	597,312
1,103,579	3,911,246	1,206,701	2,704,545	114,776	970,089	612,107	357,982
148,000	148,000	147,419	581	-	-	-	-
6,430,433	11,004,101	5,067,261	5,936,840	4,171,776	5,034,520	4,079,226	955,294
1,607,957	(2,696,607)	3,327,747	6,024,354	(2,120,917)	(2,983,661)	(1,871,082)	1,112,579
-	-	-	-	-	-	-	-
-	-	-	-	1,756,623	1,756,623	1,705,267	(51,356)
(1,756,623)	(1,756,623)	(1,705,267)	51,356	-	-	-	-
-	-	-	-	-	-	-	-
(1,756,623)	(1,756,623)	(1,705,267)	51,356	1,756,623	1,756,623	1,705,267	(51,356)
(148,666)	(4,453,230)	1,622,480	6,075,710	(364,294)	(1,227,038)	(165,815)	1,061,223
5,068,487	5,068,487	5,068,487	-	1,837,478	1,837,478	1,837,478	-
\$ 4,919,821	\$ 615,257	\$ 6,690,967	\$ 6,075,710	\$ 1,473,184	\$ 610,440	\$ 1,671,663	\$ 1,061,223

City of Lansing

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Budgetary Presentation

Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease / fixed asset acquisitions are not.

II Financial Section

Combining and Individual Fund Statements and Schedules – Non-Major Funds

City of Lansing
Balance Sheet
Non-Major Governmental Funds – By Fund Type
June 30, 2004

	Special revenue	Debt service	Capital projects	Permanent funds	Totals June 30, 2004
Assets					
Cash and cash equivalents	\$ 922,414	\$ 168,319	\$ 3,588,158	\$ -	\$ 4,678,891
Equity in pooled cash	3,247,230	104	13,272,206	1,506,280	18,025,820
Investments	-	-	-	34,500	34,500
Accounts receivable net	1,124,028	-	-	-	1,124,028
Special assessments receivable	-	5,586	787,798	-	793,384
Loans receivable	230,375	-	-	-	230,375
Accrued interest receivable	-	-	1,755	-	1,755
Other receivables	593,058	-	-	-	593,058
Due from other funds	8,112,489	25	-	-	8,112,514
Due from other governments	2,356,428	-	1,070	-	2,357,498
Total assets	\$ 16,586,022	\$ 174,034	\$ 17,650,987	\$ 1,540,780	\$ 35,951,823
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 730,457	\$ -	\$ 880,249	\$ -	\$ 1,610,706
Deposits payable	288,708	-	-	-	288,708
Accrued payroll	233,398	-	948	-	234,346
Due to other funds	3,494,662	125,596	882,664	-	4,502,922
Deferred revenue	145,694	5,586	593,264	-	744,544
Total liabilities	4,892,919	131,182	2,357,125	-	7,381,226
Fund balances					
Reserved for programs	3,804	42,852	-	1,540,780	1,587,436
Unreserved					
Designated for subsequent years' expenditures	2,137,187	-	9,800,669	-	11,937,856
Undesignated	9,552,112	-	5,493,193	-	15,045,305
Total fund balances	11,693,103	42,852	15,293,862	1,540,780	28,570,597
Total liabilities and fund balances	\$ 16,586,022	\$ 174,034	\$ 17,650,987	\$ 1,540,780	\$ 35,951,823

City of Lansing
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds – By Fund Type
For the Year Ended June 30, 2004

	Special revenue	Debt service	Capital projects	Permanent funds	Totals June 30, 2004
Revenues					
Taxes and special assessments	\$ 5,513,706	\$ 2,176,253	\$ 145,116	\$ -	\$ 7,835,075
Intergovernmental	9,235,135	-	-	-	9,235,135
Charges for services	6,393,760	-	133,524	11,976	6,539,260
Fines and forfeits	806,416	-	-	-	806,416
Investment income	35,491	20,123	53,703	9,982	119,299
Contributions	25,845	-	-	-	25,845
Donations, private sources	-	-	22,031	-	22,031
Miscellaneous	574,991	-	-	-	574,991
Total revenues	22,585,344	2,196,376	354,374	21,958	25,158,052
Expenditures					
Current operating					
General government	2,790,113	-	-	-	2,790,113
Public safety	7,402,923	-	-	-	7,402,923
Recreation and culture	186,639	-	-	-	186,639
Other functions	4,412,262	-	-	-	4,412,262
Capital improvements	3,798,241	-	6,300,559	-	10,098,800
Debt service					
Principal	1,110,000	4,896,983	-	-	6,006,983
Interest	419,440	1,796,975	-	-	2,216,415
Total expenditures	20,119,618	6,693,958	6,300,559	-	33,114,135
Excess (deficiency) of revenues over expenditures	2,465,726	(4,497,582)	(5,946,185)	21,958	(7,956,083)
Other financing sources (uses)					
Transfers in	1,657,119	4,532,910	3,142,989	17,297	9,350,315
Transfers out	(6,467,427)	-	(208,950)	(21,958)	(6,698,335)
Proceeds on sale of capital assets	-	-	768,683	-	768,683
Bond proceeds	-	-	570,000	-	570,000
Total other financing sources (uses)	(4,810,308)	4,532,910	4,272,722	(4,661)	3,990,663
Net change in fund balances	(2,344,582)	35,328	(1,673,463)	17,297	(3,965,420)
Fund balances, beginning of year	14,037,685	7,524	16,967,325	1,523,483	32,536,017
Fund balances, end of year	\$ 11,693,103	\$ 42,852	\$ 15,293,862	\$ 1,540,780	\$ 28,570,597

City of Lansing

Non-Major Special Revenue Funds

Brownfield Redevelopment Authority Fund – This fund is used to account for the Authority that was established by the City of Lansing (the City) on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the Act). The Act authorizes the City to establish a Brownfield Redevelopment Authority and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the Authority to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration.

Tax Increment Finance Authority Fund – This fund is used to account for the Authority that was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. The Act allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.

Budget Stabilization Fund – This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.

Drug Law Enforcement Fund – This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

State and Federal Programs Fund – This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.

Community Development Block Grant Program Fund – This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

Stadium Fund – This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.

Principal Shopping District Fund – This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

911 Communications Center Fund – This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.

Building Department Fund – This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

Parks Department Fund – This fund accounts for contributions and transfers which are restricted for park expenditures.

City of Lansing
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2004

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Budget Stabilization	Drug Law Enforcement	State and Federal Programs
Assets					
Cash and cash equivalents	\$ 238,263	\$ 364,216	\$ -	\$ 59,989	\$ -
Equity in pooled cash	-	-	180,541	1,330,350	-
Accounts receivable	-	2,670	-	-	4,864
Loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from other funds	-	-	8,112,489	-	-
Due from other governments	-	-	-	-	2,356,428
Total assets	\$ 238,263	\$ 366,886	\$ 8,293,030	\$ 1,390,339	\$ 2,361,292
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 233,742	\$ 5,350	\$ -	\$ 25,174	\$ 278,450
Deposits payable	-	-	-	281,658	-
Accrued payroll	-	-	-	5,423	33,678
Due to other funds	-	-	-	-	1,934,562
Deferred revenue	4,521	-	-	-	110,798
Total liabilities	238,263	5,350	-	312,255	2,357,488
Fund balances					
Reserved for restricted purposes	-	-	-	-	3,804
Unreserved					
Designated for subsequent years' expenditures	-	-	-	1,078,084	-
Undesignated	-	361,536	8,293,030	-	-
Total fund balances	-	361,536	8,293,030	1,078,084	3,804
Total Liabilities and Fund Balances	\$ 238,263	\$ 366,886	\$ 8,293,030	\$ 1,390,339	\$ 2,361,292

Community Development Block Grant Program	Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals June 30, 2004
\$ 255,956	\$ -	\$ -	\$ -	\$ 3,990	\$ -	\$ 922,414
-	956,117	52,253	-	118,751	609,218	3,247,230
-	163,217	2,500	946,492	4,285	-	1,124,028
230,375	-	-	-	-	-	230,375
593,058	-	-	-	-	-	593,058
-	-	-	-	-	-	8,112,489
-	-	-	-	-	-	2,356,428
<u>\$ 1,079,389</u>	<u>\$ 1,119,334</u>	<u>\$ 54,753</u>	<u>\$ 946,492</u>	<u>\$ 127,026</u>	<u>\$ 609,218</u>	<u>\$ 16,586,022</u>
\$ 146,507	\$ -	\$ 27,096	\$ 10,861	\$ 1,056	\$ 2,221	\$ 730,457
-	-	-	-	7,050	-	288,708
34,713	-	3,441	128,149	27,994	-	233,398
867,794	-	-	692,306	-	-	3,494,662
30,375	-	-	-	-	-	145,694
<u>1,079,389</u>	<u>-</u>	<u>30,537</u>	<u>831,316</u>	<u>36,100</u>	<u>2,221</u>	<u>4,892,919</u>
-	-	-	-	-	-	3,804
-	452,106	-	-	-	606,997	2,137,187
-	667,228	24,216	115,176	90,926	-	9,552,112
-	1,119,334	24,216	115,176	90,926	606,997	11,693,103
<u>\$ 1,079,389</u>	<u>\$ 1,119,334</u>	<u>\$ 54,753</u>	<u>\$ 946,492</u>	<u>\$ 127,026</u>	<u>\$ 609,218</u>	<u>\$ 16,586,022</u>

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2004

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Budget Stabilization	Drug Law Enforcement	State and Federal Programs
Revenues					
Taxes and special assessments	\$ 247,916	\$ 4,863,392	\$ -	\$ -	\$ -
Intergovernmental	12,567	-	-	395,488	6,380,616
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	806,416	-
Interest	-	9,974	-	6,741	2,237
Contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	260,483	4,873,366	-	1,208,645	6,382,853
Expenditures					
Current operating					
General government	16,810	237,875	-	-	-
Public safety	-	-	-	537,698	2,617,392
Recreation and culture	-	-	-	-	128,895
Other functions	-	-	-	384,580	4,024,204
Capital improvements	219,471	580,988	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	236,281	818,863	-	922,278	6,770,491
Excess (deficiency) of revenues over expenditures	24,202	4,054,503	-	286,367	(387,638)
Other financing sources (uses)					
Transfers in	-	-	-	-	318,432
Transfers out	(24,202)	(4,354,210)	(2,063,912)	(23,500)	(1,603)
Total other financing sources (uses)	(24,202)	(4,354,210)	(2,063,912)	(23,500)	316,829
Net change in fund balances	-	(299,707)	(2,063,912)	262,867	(70,809)
Fund balances, beginning of year	-	661,243	10,356,942	815,217	74,613
Fund balances, end of year	\$ -	\$ 361,536	\$ 8,293,030	\$ 1,078,084	\$ 3,804

Community Development Block Grant Program	Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals June 30, 2004
\$ -	\$ -	\$ 402,398	\$ -	\$ -	\$ -	\$ 5,513,706
2,446,464	-	-	-	-	-	9,235,135
-	730,864	-	3,959,918	1,702,978	-	6,393,760
-	-	-	-	-	-	806,416
4,893	7,187	483	-	-	3,976	35,491
-	-	10,000	15,845	-	-	25,845
546,425	-	4,035	24,531	-	-	574,991
<u>2,997,782</u>	<u>738,051</u>	<u>416,916</u>	<u>4,000,294</u>	<u>1,702,978</u>	<u>3,976</u>	<u>22,585,344</u>
-	255,600	457,464	-	1,822,364	-	2,790,113
-	-	-	4,247,833	-	-	7,402,923
-	57,744	-	-	-	-	186,639
-	-	-	-	-	3,478	4,412,262
2,997,782	-	-	-	-	-	3,798,241
-	1,110,000	-	-	-	-	1,110,000
-	419,440	-	-	-	-	419,440
<u>2,997,782</u>	<u>1,842,784</u>	<u>457,464</u>	<u>4,247,833</u>	<u>1,822,364</u>	<u>3,478</u>	<u>20,119,618</u>
-	(1,104,733)	(40,548)	(247,539)	(119,386)	498	2,465,726
-	1,000,000	42,075	74,312	210,312	11,988	1,657,119
-	-	-	-	-	-	(6,467,427)
-	1,000,000	42,075	74,312	210,312	11,988	(4,810,308)
-	(104,733)	1,527	(173,227)	90,926	12,486	(2,344,582)
-	1,224,067	22,689	288,403	-	594,511	14,037,685
<u>\$ -</u>	<u>\$ 1,119,334</u>	<u>\$ 24,216</u>	<u>\$ 115,176</u>	<u>\$ 90,926</u>	<u>\$ 606,997</u>	<u>\$ 11,693,103</u>

City of Lansing
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual –
Non-Major Special Revenue Funds
For the Year Ended June 30, 2004

	Tax Increment Finance Authority			Budget Stabilization		
	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
Revenues						
Taxes and special assessments	\$ 5,116,872	\$ 4,863,392	\$ (253,480)	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interest	48,200	9,974	(38,226)	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	5,165,072	4,873,366	(291,706)	-	-	-
Expenditures						
Current operating						
General government, administrative	255,844	237,875	17,969	-	-	-
Public safety	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Other functions	-	-	-	-	-	-
Capital improvements	834,988	580,988	254,000	-	-	-
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	1,090,832	818,863	271,969	-	-	-
Excess (deficiency) of revenues over expenditures	4,074,240	4,054,503	(19,737)	-	-	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(4,354,210)	(4,354,210)	-	(2,203,371)	(2,063,912)	(139,459)
Total other financing sources (uses)	(4,354,210)	(4,354,210)	-	(2,203,371)	(2,063,912)	(139,459)
Net change in fund balances	(279,970)	(299,707)	(19,737)	(2,203,371)	(2,063,912)	(139,459)
Fund balances, beginning of year	661,243	661,243	-	10,356,942	10,356,942	-
Fund balances, end of year	\$ 381,273	\$ 361,536	\$ (19,737)	\$ 8,153,571	\$ 8,293,030	\$ (139,459)

Drug Law Enforcement			State and Federal Programs			Community Development Block Grant Program		
Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
395,488	395,488	-	15,456,196	6,380,616	(9,075,580)	3,818,287	2,446,464	(1,371,823)
-	-	-	-	-	-	-	-	-
440,000	806,416	366,416	-	-	-	-	-	-
15,000	6,741	(8,259)	2,309	2,237	72	1,076,383	4,893	(1,071,490)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	546,425	546,425
850,488	1,208,645	358,157	15,458,505	6,382,853	(9,075,652)	4,894,670	2,997,782	(1,896,888)
-	-	-	-	-	-	-	-	-
739,852	537,698	202,154	3,541,154	2,617,392	923,762	-	-	-
-	-	-	130,665	128,895	1,770	-	-	-
-	384,580	(384,580)	12,294,440	4,024,204	8,270,236	-	-	-
-	-	-	-	-	-	4,894,670	2,997,782	1,896,888
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
739,852	922,278	(182,426)	15,966,259	6,770,491	9,195,768	4,894,670	2,997,782	1,896,888
110,636	286,367	175,731	(507,754)	(387,638)	(120,116)	-	-	-
-	-	-	438,548	318,432	120,116	-	-	-
(23,500)	(23,500)	-	(1,603)	(1,603)	-	-	-	-
(23,500)	(23,500)	-	436,945	316,829	120,116	-	-	-
87,136	262,867	175,731	(70,809)	(70,809)	-	-	-	-
815,217	815,217	-	74,613	74,613	-	-	-	-
\$ 902,353	\$ 1,078,084	\$ 175,731	\$ 3,804	\$ 3,804	\$ -	\$ -	\$ -	\$ -

City of Lansing
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual –
Non-Major Special Revenue Funds (Continued)
For the Year Ended June 30, 2004

	Stadium			Principal Shopping District		
	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
Revenues						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 403,864	\$ 402,398	\$ (1,466)
Intergovernmental	-	-	-	-	-	-
Charges for services	875,000	730,864	(144,136)	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interest	20,000	7,187	(12,813)	2,000	483	(1,517)
Contributions	-	-	-	10,000	10,000	-
Miscellaneous	-	-	-	4,100	4,035	(65)
Total revenues	895,000	738,051	(156,949)	419,964	416,916	(3,048)
Expenditures						
Current operating						
General government, administrative	255,600	255,600	-	474,228	457,464	16,764
Public safety	-	-	-	-	-	-
Recreation and culture	58,000	57,744	256	-	-	-
Other functions	-	-	-	-	-	-
Capital improvements	-	-	-	-	-	-
Debt service						
Principal	1,110,000	1,110,000	-	-	-	-
Interest	419,265	419,440	(175)	-	-	-
Total expenditures	1,842,865	1,842,784	81	474,228	457,464	16,764
Excess (deficiency) of revenues over expenditures	(947,865)	(1,104,733)	(156,868)	(54,264)	(40,548)	13,716
Other financing sources (uses)						
Transfers in	1,000,000	1,000,000	-	42,075	42,075	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	1,000,000	1,000,000	-	42,075	42,075	-
Net change in fund balances	52,135	(104,733)	(156,868)	(12,189)	1,527	13,716
Fund balances, beginning of year	1,224,067	1,224,067	-	22,689	22,689	-
Fund balances, end of year	\$ 1,276,202	\$ 1,119,334	\$ (156,868)	\$ 10,500	\$ 24,216	\$ 13,716

911 Communications Center			Building Department			Budgeted Funds Totals		
Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,520,736	\$ 5,265,790	\$ (254,946)
-	-	-	-	-	-	19,669,971	9,222,568	(10,447,403)
3,959,918	3,959,918	-	1,457,300	1,702,978	245,678	6,292,218	6,393,760	101,542
-	-	-	-	-	-	440,000	806,416	366,416
-	-	-	-	-	-	1,163,892	31,515	(1,132,233)
-	15,845	15,845	-	-	-	10,000	25,845	15,845
12,937	24,531	11,594	-	-	-	17,037	574,991	557,954
<u>3,972,855</u>	<u>4,000,294</u>	<u>27,439</u>	<u>1,457,300</u>	<u>1,702,978</u>	<u>245,678</u>	<u>33,113,854</u>	<u>22,320,885</u>	<u>(10,792,969)</u>
-	-	-	1,767,612	1,822,364	(54,752)	2,753,284	2,773,303	(20,019)
4,181,272	4,247,833	(66,561)	-	-	-	8,462,278	7,402,923	1,059,355
-	-	-	-	-	-	188,665	186,639	2,026
-	-	-	-	-	-	12,294,440	4,408,784	7,885,656
-	-	-	-	-	-	5,729,658	3,578,770	2,150,888
-	-	-	-	-	-	1,110,000	1,110,000	-
-	-	-	-	-	-	419,265	419,440	(175)
<u>4,181,272</u>	<u>4,247,833</u>	<u>(66,561)</u>	<u>1,767,612</u>	<u>1,822,364</u>	<u>(54,752)</u>	<u>30,957,590</u>	<u>19,879,859</u>	<u>11,077,731</u>
<u>(208,417)</u>	<u>(247,539)</u>	<u>(39,122)</u>	<u>(310,312)</u>	<u>(119,386)</u>	<u>190,926</u>	<u>2,156,264</u>	<u>2,441,026</u>	<u>44,530</u>
214,312	74,312	140,000	310,312	210,312	100,000	2,005,247	1,645,131	360,116
-	-	-	-	-	-	(6,582,684)	(6,443,225)	(139,459)
<u>214,312</u>	<u>74,312</u>	<u>140,000</u>	<u>310,312</u>	<u>210,312</u>	<u>100,000</u>	<u>(4,577,437)</u>	<u>(4,798,094)</u>	<u>220,657</u>
5,895	(173,227)	(179,122)	-	90,926	90,926	(2,421,173)	(2,357,068)	(214,813)
<u>288,403</u>	<u>288,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,443,174</u>	<u>13,443,174</u>	<u>-</u>
<u>\$ 294,298</u>	<u>\$ 115,176</u>	<u>\$ (179,122)</u>	<u>\$ -</u>	<u>\$ 90,926</u>	<u>\$ 90,926</u>	<u>\$ 11,022,001</u>	<u>\$ 11,086,106</u>	<u>\$ (214,813)</u>

City of Lansing
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual –
Non-Major Special Revenue Funds (Continued)
For the Year Ended June 30, 2004

	Funds Not Annually Budgeted		Totals Actual
	Parks Department	Brownfield	
	Actual	Redevelopment Authority Actual	
Revenues			
Taxes and special assessments	\$ -	\$ 247,916	\$ 5,513,706
Intergovernmental	-	12,567	9,235,135
Charges for services	-	-	6,393,760
Fines and forfeits	-	-	806,416
Interest	3,976	-	35,491
Contributions	-	-	25,845
Miscellaneous	-	-	574,991
Total revenues	3,976	260,483	22,585,344
Expenditures			
Current operating			
General government, administrative	-	16,810	2,790,113
Public safety	-	-	7,402,923
Recreation and culture	-	-	186,639
Other functions	3,478	-	4,412,262
Capital improvements	-	219,471	3,798,241
Debt service			
Principal	-	-	1,110,000
Interest	-	-	419,440
Total expenditures	3,478	236,281	20,119,618
Excess (deficiency) of revenues over expenditures	498	24,202	2,465,726
Other financing sources (uses)			
Transfers in	11,988	-	1,657,119
Transfers out	-	(24,202)	(6,467,427)
Total other financing sources (uses)	11,988	(24,202)	(4,810,308)
Net change in fund balances	12,486	-	(2,344,582)
Fund balances, beginning of year	594,511	-	14,037,685
Fund balances, end of year	\$ 606,997	\$ -	\$ 11,693,103

City of Lansing

Non-Major Debt Service Funds

1990 Special Assessments Fund – This fund accounts for the accumulation of resources for payment of the 1990 \$800,000 Special Assessment Bonds.

1996 Refunding Bonds Fund – This fund accounts for the accumulation of resources for payment of the 1996 \$10,800,000 Refunding Bonds.

1998 Building Authority Fund – This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.

1999 Fire Station Fund – This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund – This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

Tax Increment Finance Authority Fund – This fund includes the activities of the City of Lansing Parking Structure Lease and 1994 Tax Increment Finance Authority, General Obligation Tax Increment Bonds.

City of Lansing
Combining Balance Sheet
Non-Major Debt Service Funds
June 30, 2004

	1990 Special Assessments	1996 Refunding Bonds	1998 Building Authority
Assets			
Cash and cash equivalents	\$ 5,009	\$ 156,129	\$ -
Equity in pooled cash	-	-	-
Special assessments receivable	5,586	-	-
Due from other funds	-	-	25
Total assets	\$ 10,595	\$ 156,129	\$ 25
Liabilities and fund balances			
Liabilities			
Due to other funds	\$ 4,999	\$ 120,265	\$ -
Deferred revenues	5,586	-	-
Total liabilities	10,585	120,265	-
Fund balances			
reserved for Debt Service	10	35,864	25
Total fund balances	10	35,864	25
Total liabilities and fund balances	\$ 10,595	\$ 156,129	\$ 25

1999 Fire Station	2001 Fire Station	Tax Increment Finance Authority	Totals June 30, 2004
\$ 6,738	\$ 443	\$ -	\$ 168,319
104	-	-	104
-	-	-	5,586
-	-	-	25
<u>\$ 6,842</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ 174,034</u>
\$ -	\$ 332	\$ -	\$ 125,596
-	-	-	5,586
-	332	-	131,182
<u>6,842</u>	<u>111</u>	<u>-</u>	<u>42,852</u>
<u>6,842</u>	<u>111</u>	<u>-</u>	<u>42,852</u>
<u>\$ 6,842</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ 174,034</u>

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Debt Service Funds
For the Year Ended June 30, 2004

	1990 Special Assessments	1996 Refunding Bonds	1998 Building Authority
Revenues			
Taxes and special assessments	\$ 11,253	\$ 1,570,000	\$ -
Interest	7,344	8,957	-
Total revenues	<u>18,597</u>	<u>1,578,957</u>	<u>-</u>
Expenditures			
Principal payments	20,000	1,155,000	90,000
Interest	3,500	390,508	88,675
Total expenditures	<u>23,500</u>	<u>1,545,508</u>	<u>178,675</u>
Excess (deficiency) of revenues over expenditures	<u>(4,903)</u>	<u>33,449</u>	<u>(178,675)</u>
Other financing sources			
Transfers in	-	-	178,700
Total other financing sources	<u>-</u>	<u>-</u>	<u>178,700</u>
Net change in fund balances	<u>(4,903)</u>	<u>33,449</u>	<u>25</u>
Fund balances, beginning of year	<u>4,913</u>	<u>2,415</u>	<u>-</u>
Fund balances, end of year	<u>\$ 10</u>	<u>\$ 35,864</u>	<u>\$ 25</u>

1999 Fire Station	2001 Fire Station	Tax Increment Finance Authority	Totals June 30, 2004
\$ 295,000	\$ 300,000	\$ -	\$ 2,176,253
2,019	1,803	-	20,123
<u>297,019</u>	<u>301,803</u>	<u>-</u>	<u>2,196,376</u>
140,000	125,000	3,366,983	4,896,983
150,300	176,765	987,227	1,796,975
<u>290,300</u>	<u>301,765</u>	<u>4,354,210</u>	<u>6,693,958</u>
<u>6,719</u>	<u>38</u>	<u>(4,354,210)</u>	<u>(4,497,582)</u>
-	-	4,354,210	4,532,910
-	-	4,354,210	4,532,910
<u>6,719</u>	<u>38</u>	<u>-</u>	<u>35,328</u>
<u>123</u>	<u>73</u>	<u>-</u>	<u>7,524</u>
<u>\$ 6,842</u>	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ 42,852</u>

City of Lansing
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual –
Non-Major Debt Service Funds
For the Year Ended June 30, 2004

	1990 Special Assessments			1996 Refunding Bonds		
	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
Revenues						
Taxes and special assessments	\$ 5,000	\$ 11,253	\$ 6,253	\$ 1,570,000	\$ 1,570,000	\$ -
Interest	-	7,344	7,344	-	8,957	8,957
Total revenues	5,000	18,597	13,597	1,570,000	1,578,957	8,957
Expenditures						
Principal payments	20,000	20,000	-	1,155,000	1,155,000	-
Interest	3,500	3,500	-	390,660	390,508	152
Total expenditures	23,500	23,500	-	1,545,660	1,545,508	152
Excess (deficiency) of revenues over expenditures	(18,500)	(4,903)	13,597	24,340	33,449	9,109
Other financing sources						
Transfers in	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Net change in fund balances	(18,500)	(4,903)	13,597	24,340	33,449	9,109
Fund balances, beginning of year	4,913	4,913	-	2,415	2,415	-
Fund balances, end of year	\$ (13,587)	\$ 10	\$ 13,597	\$ 26,755	\$ 35,864	\$ 9,109

1998 Building Authority			1999 Fire Station			2001 Fire Station		
Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
\$ -	\$ -	\$ -	\$ 295,000	\$ 295,000	\$ -	\$ 300,000	\$ 300,000	\$ -
-	-	-	-	2,019	2,019	-	1,803	1,803
-	-	-	295,000	297,019	2,019	300,000	301,803	1,803
90,000	90,000	-	140,000	140,000	-	125,000	125,000	-
88,675	88,675	-	150,550	150,300	250	176,890	176,765	125
178,675	178,675	-	290,550	290,300	250	301,890	301,765	125
(178,675)	(178,675)	-	4,450	6,719	2,269	(1,890)	38	1,928
178,700	178,700	-	-	-	-	-	-	-
178,700	178,700	-	-	-	-	-	-	-
25	25	-	4,450	6,719	2,269	(1,890)	38	1,928
-	-	-	123	123	-	73	73	-
\$ 25	\$ 25	\$ -	\$ 4,573	\$ 6,842	\$ 2,269	\$ (1,817)	\$ 111	\$ 1,928

City of Lansing
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual –
Non-Major Debt Service Funds (Continued)
For the Year Ended June 30, 2004

	Budgeted Funds Totals			Fund Not Annually Budgeted Tax Increment Finance Authority	Totals
	Budget	Actual	Favorable (unfavorable)	Actual	Actual
Revenues					
Taxes and special assessments	\$ 2,170,000	\$ 2,176,253	\$ 6,253	\$ -	\$ 2,176,253
Interest	-	20,123	20,123	-	20,123
Total revenues	2,170,000	2,196,376	26,376	-	2,196,376
Expenditures					
Principal payments	1,530,000	1,530,000	-	3,366,983	4,896,983
Interest	810,275	809,748	527	987,227	1,796,975
Total expenditures	2,340,275	2,339,748	527	4,354,210	6,693,958
Excess (deficiency) of revenues over expenditures	(170,275)	(143,372)	26,903	(4,354,210)	(4,497,582)
Other financing sources					
Transfers in	178,700	178,700	-	4,354,210	4,532,910
Total other financing sources	178,700	178,700	-	4,354,210	4,532,910
Net change in fund balances	8,425	35,328	26,903	-	35,328
Fund balances, beginning of year	7,524	7,524	-	-	7,524
Fund balances, end of year	\$ 15,949	\$ 42,852	\$ 26,903	\$ -	\$ 42,852

City of Lansing

Non-Major Capital Projects Funds

1969 Storm Sewers Fund – This fund accounts for the proceeds of the 1969 \$3,700,000 Storm Sewer and Drain bonds.

1984 Street Improvements Fund – This fund accounts for the proceeds of the 1984 \$2,200,000 loan from the State of Michigan Department of Transportation.

1986 Street Improvements Fund – This fund accounts for the proceeds of the 1986 \$2,000,000 Michigan Transportation Fund bonds.

1987 Street Improvements Fund – This fund accounts for the proceeds of the 1987 \$22,000,000 Unlimited Tax bonds.

1988 Environmental Fund – This fund accounts for the proceeds of the 1988 \$1,700,000 Environmental Cleanup bonds.

1990 Environmental I Fund – This fund accounts for the proceeds of the 1990 \$7,000,000 Environmental bonds.

1990 Environmental II Fund – This fund accounts for the proceeds of the 1990 \$6,300,000 Environmental bonds.

Combined Sewer Overflow Fund – This fund accounts for the storm sewer portion of the combined sewer overflow bonds.

Special Assessments Fund – This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

1999 Fire Station Fund – This fund accounts for the proceeds of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund – This fund accounts for the proceeds of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

Miscellaneous Fund – This fund accounts for miscellaneous capital projects.

City of Lansing
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2004

	1969 Storm Sewers	1984 Street Improve- ments	1986 Street Improve- ments	1987 Street Improve- ments	1988 Environ- mental
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash	-	-	-	96,481	-
Accrued interest receivable	-	-	-	-	-
Special assessments receivable:					
Current	-	-	-	-	-
Deferred	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,481</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities and fund balances					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)					
Unreserved					
Designated for subsequent years' expenditures	-	-	-	96,481	-
Undesignated (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,481</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,481</u>	<u>\$ -</u>

1990 Environ- mental I	1990 Environ- mental II	Combined Sewer Overflow	Special Assess- ments	1999 Fire Station	2001 Fire Station	Miscellaneous	Totals June 30, 2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,605,144	\$ 983,014	\$ 3,588,158
74,026	352,301	1,411,204	-	344,614	-	10,993,580	13,272,206
-	-	-	-	-	1,755	-	1,755
-	-	-	194,534	-	-	-	194,534
-	-	-	593,264	-	-	-	593,264
-	-	-	1,070	-	-	-	1,070
<u>\$ 74,026</u>	<u>\$ 352,301</u>	<u>\$ 1,411,204</u>	<u>\$ 788,868</u>	<u>\$ 344,614</u>	<u>\$ 2,606,899</u>	<u>\$ 11,976,594</u>	<u>\$ 17,650,987</u>
\$ -	\$ -	\$ -	\$ 17,185	\$ 16,493	\$ -	\$ 846,571	\$ 880,249
-	-	-	-	-	-	948	948
-	-	-	592,523	-	290,141	-	882,664
-	-	-	593,264	-	-	-	593,264
-	-	-	1,202,972	16,493	290,141	847,519	2,357,125
-	227,356	-	-	120,202	-	9,356,630	9,800,669
74,026	124,945	1,411,204	(414,104)	207,919	2,316,758	1,772,445	5,493,193
74,026	352,301	1,411,204	(414,104)	328,121	2,316,758	11,129,075	15,293,862
<u>\$ 74,026</u>	<u>\$ 352,301</u>	<u>\$ 1,411,204</u>	<u>\$ 788,868</u>	<u>\$ 344,614</u>	<u>\$ 2,606,899</u>	<u>\$ 11,976,594</u>	<u>\$ 17,650,987</u>

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2004

	1969 Storm Sewers	1984 Street Improve- ments	1986 Street Improve- ments	1987 Street Improve- ments	1988 Environ- mental
Revenues					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Interest	-	-	-	641	-
Donations, private sources	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>641</u>	<u>-</u>
Expenditures					
Capital improvements	<u>139,656</u>	<u>865</u>	<u>30,628</u>	<u>-</u>	<u>14,331</u>
Excess (deficiency) of revenues over expenditures	<u>(139,656)</u>	<u>(865)</u>	<u>(30,628)</u>	<u>641</u>	<u>(14,331)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(139,656)</u>	<u>(865)</u>	<u>(30,628)</u>	<u>641</u>	<u>(14,331)</u>
Fund balance (deficit) beginning of year	<u>139,656</u>	<u>865</u>	<u>30,628</u>	<u>95,840</u>	<u>14,331</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,481</u>	<u>\$ -</u>

1990 Environ- mental I	1990 Environ- mental II	Combined Sewer Overflow	Special Assess- ments	1999 Fire Station	2001 Fire Station	Miscellaneous	Totals June 30, 2004
\$ -	\$ -	\$ -	\$ 145,116	\$ -	\$ -	\$ -	\$ 145,116
-	-	-	-	-	-	133,524	133,524
492	2,339	-	-	2,901	26,605	20,725	53,703
-	-	-	-	-	-	22,031	22,031
<u>492</u>	<u>2,339</u>	<u>-</u>	<u>145,116</u>	<u>2,901</u>	<u>26,605</u>	<u>176,280</u>	<u>354,374</u>
-	-	11,167	463,790	155,076	454,389	5,030,657	6,300,559
<u>492</u>	<u>2,339</u>	<u>(11,167)</u>	<u>(318,674)</u>	<u>(152,175)</u>	<u>(427,784)</u>	<u>(4,854,377)</u>	<u>(5,946,185)</u>
-	-	-	-	-	-	3,142,989	3,142,989
-	-	-	-	-	-	(208,950)	(208,950)
-	-	-	-	-	-	768,683	768,683
-	-	-	-	-	-	570,000	570,000
-	-	-	-	-	-	4,272,722	4,272,722
492	2,339	(11,167)	(318,674)	(152,175)	(427,784)	(581,655)	(1,673,463)
<u>73,534</u>	<u>349,962</u>	<u>1,422,371</u>	<u>(95,430)</u>	<u>480,296</u>	<u>2,744,542</u>	<u>11,710,730</u>	<u>16,967,325</u>
<u>\$ 74,026</u>	<u>\$ 352,301</u>	<u>\$ 1,411,204</u>	<u>\$ (414,104)</u>	<u>\$ 328,121</u>	<u>\$ 2,316,758</u>	<u>\$ 11,129,075</u>	<u>\$ 15,293,862</u>

City of Lansing

Permanent Funds

Cemetery Perpetual Care Fund – This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

Parks Trust Fund – This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

City of Lansing
Combining Balance Sheet
Permanent Funds
June 30, 2004

	Cemetery Perpetual Care	Parks Trust	Totals June 30, 2004
Assets			
Equity in pooled cash	\$ 1,505,030	\$ 1,250	\$ 1,506,280
Investments	34,500	-	34,500
Total assets	<u>1,539,530</u>	<u>1,250</u>	<u>1,540,780</u>
Fund balances			
Reserved for restricted purposes	<u>\$ 1,539,530</u>	<u>\$ 1,250</u>	<u>\$ 1,540,780</u>

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Year Ended June 30, 2004

	Cemetery Perpetual Care	Parks Trust	Totals June 30, 2004
Operating revenues			
Rents	\$ -	\$ 11,976	\$ 11,976
Operating income	-	11,976	11,976
Nonoperating revenues			
Income from investments			
Interest and dividends	9,970	12	9,982
Other financing sources (uses)			
Transfers in	17,297	-	17,297
Transfers out	(9,970)	(11,988)	(21,958)
Total other financing sources (uses)	7,327	(11,988)	(4,661)
Net change in fund balances	17,297	-	17,297
Fund balances, beginning of year (as restated)	1,522,233	1,250	1,523,483
Fund balances, end of year	\$ 1,539,530	\$ 1,250	\$ 1,540,780

City of Lansing

Non-Major Enterprise Funds

Cemetery Fund – This fund accounts for the operation of City-owned cemeteries.

Golf Fund – This fund accounts for the operation of the City-owned golf courses.

Garbage and Rubbish Collection Fund – This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

Recycling Fund – This fund accounts for the provision of recycling services to participating residents of the City.

Potter Park Zoo Fund – This fund accounts for the operations of the Potter Park Zoo.

City of Lansing
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2004

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Potter Park Zoo	Total June 30, 2004
Assets						
Cash and cash equivalents	\$ -	\$ 12,933	\$ 6,615	\$ -	\$ 7,871	\$ 27,419
Equity in pooled cash	125,324	-	68,167	1,332,757	223,923	1,750,171
Receivables, net of allowances for uncollectibles						
Accounts	500	-	148,889	(423)	-	148,966
Inventories	55,203	47,023	12,901	-	-	115,127
Total current assets	181,027	59,956	236,572	1,332,334	231,794	2,041,683
Capital assets, net of accumulated depreciation	185,524	2,592,308	-	887,530	5,992,084	9,657,446
Total assets	\$ 366,551	\$ 2,652,264	\$ 236,572	\$ 2,219,864	\$ 6,223,878	\$ 11,699,129
Liabilities						
Accounts payable	\$ 323	\$ 22,813	\$ 42,408	\$ 41,685	\$ 19,137	\$ 126,366
Accrued payroll	12,694	33,631	9,433	24,258	29,829	109,845
Due to other funds	-	632,814	-	-	-	632,814
Deferred revenues	-	27,453	65,033	-	-	92,486
Accrued interest payable	-	13,528	-	-	-	13,528
General obligation bonds payable, current	-	50,000	-	-	-	50,000
Accrued compensated absences, current	21,679	45,738	62,430	50,581	92,638	273,066
General obligation bonds payable, long-term	-	943,425	-	-	-	943,425
Accrued compensated absences	18,854	-	22,973	15,421	49,368	106,616
Total liabilities	53,550	1,769,402	202,277	131,945	190,972	2,348,146
Net Assets						
Invested in capital assets, net of related debt	185,524	1,598,883	-	887,530	5,992,084	8,664,021
Restricted for debt retirement	-	-	-	-	-	-
Unrestricted	127,477	(716,021)	34,295	1,200,389	40,822	686,962
Total net assets	\$ 313,001	\$ 882,862	\$ 34,295	\$ 2,087,919	\$ 6,032,906	\$ 9,350,983

City of Lansing
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-Major Enterprise Funds
For the Year Ended June 30, 2004

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Potter Park Zoo	Totals June 30, 2004
Operating revenues						
Charges for services	\$ 218,719	\$ 946,123	\$ 1,315,413	\$ 2,115,917	\$ 505,666	5,101,838
Operating expenses						
Personal services	506,565	804,452	575,346	1,480,042	1,372,817	4,739,222
Purchase of goods and services	286,082	606,914	746,414	1,265,244	784,069	3,688,723
Depreciation	35,426	153,389	-	23,021	385,179	597,015
Total operating expenses	828,073	1,564,755	1,321,760	2,768,307	2,542,065	9,024,960
Operating loss	(609,354)	(618,632)	(6,347)	(652,390)	(2,036,399)	(3,923,122)
Nonoperating revenues (expenses)						
Investment revenue	-	-	392	18,965	-	19,357
Gain on sale of capital assets	7,912	5,800	-	-	-	13,712
Interest expense and paying agent fees	-	(55,914)	-	-	-	(55,914)
Total nonoperating revenues (expenses)	7,912	(50,114)	392	18,965	-	(22,845)
Loss before operating transfers	(601,442)	(668,746)	(5,955)	(633,425)	(2,036,399)	(3,945,967)
Transfers and capital contributions						
Capital Contributions	-	93,207	-	-	-	93,207
Transfers in	552,272	840,123	40,250	25,600	1,488,959	2,947,204
Transfers out	(17,297)	-	-	-	-	(17,297)
Total	534,975	933,330	40,250	25,600	1,488,959	3,023,114
Change in net assets	(66,467)	264,584	34,295	(607,825)	(547,440)	(922,853)
Total net assets - beginning of fiscal year	379,468	618,278	-	2,695,744	6,580,346	10,273,836
Total net assets - end of fiscal year	\$ 313,001	\$ 882,862	\$ 34,295	\$ 2,087,919	\$ 6,032,906	\$ 9,350,983

City of Lansing
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2004

	Cemetery
Cash flows from operating activities	
Cash received from customers	\$ 218,219
Cash payments for goods and services	(290,179)
Cash payments to employees	(508,201)
Net cash used for operating activities	(580,161)
Cash flows from noncapital financing activities	
Transfers in	552,272
Transfers out	(17,297)
Net cash provided by noncapital financing activities	534,975
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	7,912
Acquisition and construction of capital assets	(20,340)
Principal paid on revenue and general obligation bonds	-
Interest paid on revenue and general obligation bonds	-
Net cash used for capital and related financing activities	(12,428)
Cash flows from investing activities	
Interest and dividends	-
Net increase (decrease) in cash and cash equivalents	(57,614)
Cash and cash equivalents, beginning of year	182,938
Cash and cash equivalents, end of year	\$ 125,324
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (609,354)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation expense	35,426
(Increase) decrease in accounts receivable	(500)
(Increase) decrease in inventory	3,508
Increase (decrease) in accounts payable	(7,605)
Increase (decrease) in accrued liabilities	(1,636)
Increase (decrease) in deferred revenue	-
Increase (decrease) in due to other funds	-
Total adjustments	29,193
Net cash provided by (used for) operating activities	\$ (580,161)

Golf	Garbage and Rubbish Collection	Recycling	Potter Park Zoo	Totals June 30, 2004
\$ 942,823	\$ 1,342,407	\$ 2,154,996	\$ 505,666	\$ 5,164,111
(834,502)	(747,106)	(1,283,223)	(790,399)	(3,945,409)
(813,430)	(578,236)	(1,471,586)	(1,361,918)	(4,733,371)
(705,109)	17,065	(599,813)	(1,646,651)	(3,514,669)
840,123	40,250	-	1,488,959	2,921,604
-	-	25,600	-	8,303
840,123	40,250	25,600	1,488,959	2,929,907
5,800	-	-	-	13,712
(50,393)	-	-	(40,146)	(110,879)
(50,000)	-	-	-	(50,000)
(55,585)	-	-	-	(55,585)
(150,178)	-	-	(40,146)	(202,752)
-	392	18,965	-	19,357
(15,164)	57,707	(555,248)	(197,838)	(768,157)
28,097	17,075	1,888,005	429,632	2,545,747
\$ 12,933	\$ 74,782	\$ 1,332,757	\$ 231,794	\$ 1,777,590
\$ (618,632)	\$ (6,347)	\$ (652,390)	\$ (2,036,399)	\$ (3,923,122)
153,389	-	23,021	385,179	597,015
-	33,600	39,079	-	72,179
(2,856)	(9,887)	-	-	(9,235)
(55,342)	9,195	(17,979)	(8,792)	(80,523)
(8,978)	(2,889)	8,456	13,361	8,314
(3,300)	(6,607)	-	-	(9,907)
(169,390)	-	-	-	(169,390)
(86,477)	23,412	52,577	389,748	408,453
\$ (705,109)	\$ 17,065	\$ (599,813)	\$ (1,646,651)	\$ (3,514,669)

City of Lansing

Internal Service Funds

Public Service Garage Fund – This fund accounts for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.

Local Site Remediation Revolving Fund – This fund accounts for the activities of the Local Site Remediation Revolving Fund for the Brownfield Redevelopment Authority of the City of Lansing.

City of Lansing
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Governmental Activities		
	Internal Service Funds		
	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 67,054	\$ 67,054
Equity in pooled cash	2,814,605	-	2,814,605
Inventories	254,624	-	254,624
Restricted assets			
Cash and cash equivalents	21,068	-	21,068
Accrued interest receivable	14	-	14
Total current assets	3,090,311	67,054	3,157,365
Bond issue costs	7,628	-	7,628
Property, plant and equipment, net of accumulated depreciation	5,394,881	-	5,394,881
Total assets	\$ 8,492,820	\$ 67,054	\$ 8,559,874
Liabilities			
Current liabilities			
Accounts payable	\$ 55,202	\$ 5,916	\$ 61,118
Accrued payroll	18,416	-	18,416
Accrued compensated absences	57,545	-	57,545
Payable from restricted assets			
Accrued interest payable	28,979	-	28,979
Total current liabilities	160,142	5,916	166,058
Capital lease payable	1,625,000	-	1,625,000
Accrued compensated absences	49,930	-	49,930
Total liabilities	1,835,072	5,916	1,840,988
Net assets			
Invested in capital assets, net of related debt	3,748,530	-	3,748,530
Unrestricted	2,909,218	61,138	2,970,356
Total net assets	\$ 6,657,748	\$ 61,138	\$ 6,718,886

City of Lansing
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	Governmental Activities		
	Internal Service Funds		
	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 3,480,831	\$ 4,250	\$ 3,485,081
Total operating revenues	3,480,831	4,250	3,485,081
Operating expenses			
Personal services	1,158,804	5,916	1,164,720
Purchase of goods and services	972,693	-	972,693
Depreciation	905,442	-	905,442
Total operating expenses	3,036,939	5,916	3,042,855
Operating income (loss)	443,892	(1,666)	442,226
Nonoperating revenues (expenses)			
Interest income	242	1,666	1,908
Gain on sale of capital assets	40,730	-	40,730
Interest expense and paying agent fees	(90,505)	-	(90,505)
Amortization of bond issue costs	(654)	-	(654)
Total nonoperating expenses	(50,187)	1,666	(48,521)
Net income (loss) before transfers	393,705	-	393,705
Transfers			
Transfer in	-	24,202	24,202
Change in net assets	393,705	24,202	417,907
Net assets, beginning of year	6,264,043	36,936	6,300,979
Net assets, end of year	\$ 6,657,748	\$ 61,138	\$ 6,718,886

City of Lansing
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 3,483,808	\$ 4,250	\$ 3,488,058
Cash payments for goods and services	(1,100,144)	(1,857)	(1,102,001)
Cash payments to employees	(1,162,304)		(1,162,304)
Net cash provided by operating activities	1,221,360	2,393	1,223,753
Cash flows from noncapital financing activities			
Transfers from other funds	-	24,202	24,202
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	40,730	-	40,730
Payments of capital lease and interest	(192,288)	-	(192,288)
Acquisition of capital assets	(1,248,025)	-	(1,248,025)
Net cash used for capital and related financing activities	(1,399,583)	-	(1,399,583)
Cash flows from investing activities			
Interest income	256	1,666	1,922
Net increase in cash and cash equivalents	(177,967)	28,261	(149,706)
Cash and cash equivalents, beginning of year	3,013,640	38,793	3,052,433
Cash and cash equivalents, end of year	\$ 2,835,673	\$ 67,054	\$ 2,902,727
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ 443,892	\$ (1,666)	\$ 442,226
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	905,442	-	905,442
(Increase) decrease in accounts receivable	2,977	-	2,977
(Increase) decrease in inventory	(4,730)	-	(4,730)
Increase (decrease) in accounts payable	(122,721)	4,059	(118,662)
Increase (decrease) in accrued payroll	(6,650)	-	(6,650)
Increase (decrease) in accrued compensated absences	3,150	-	3,150
Total adjustments	777,468	4,059	781,527
Net cash provided by operating activities	\$ 1,221,360	\$ 2,393	\$ 1,223,753

City of Lansing

Pension (and Other Postemployment Benefit) Trust Funds

Employees' Retirement System Fund – This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City except for police officers and firefighters, who are members of a separate pension plan.

Police and Fire Retirement System Fund – This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible police officers and firefighters who are full-time employees of the City.

Employees' Money Purchase Pension Plan Fund – This fund accounts for the accumulation of resources to be used for retirement distributions for certain City employees.

City of Lansing
Combining Statement of Fiduciary Net Assets
Pension (and Other Postemployment Benefit) Trust Funds
June 30, 2004

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Totals June 30, 2004
Assets				
Cash and cash equivalents	\$ 11,180,027	\$ 9,595,364	\$ -	\$ 20,775,391
Investments				
U. S. Government obligations	47,523,999	61,390,608	3,615,840	112,530,447
Corporate bonds	13,331,375	18,446,070	-	31,777,445
Common stocks	80,675,274	129,441,969	-	210,117,243
Stock mutual funds	34,107,520	39,038,759	-	73,146,279
Contribution receivable	106,008	228,420	984	335,412
Dividends and interest receivable	603,226	786,260	-	1,389,486
Accrued interest receivable	-	-	4,077	4,077
Due from other funds	221,470	772,867	-	994,337
Total assets	\$ 187,748,899	\$ 259,700,317	\$ 3,620,901	\$ 451,070,117
Liabilities				
Accounts payable	\$ 264,103	\$ 24,999	\$ -	\$ 289,102
Due to other funds	2,432,842	-	-	2,432,842
Total liabilities	\$ 2,696,945	\$ 24,999	\$ -	\$ 2,721,944
Net assets				
Held in trust for pension benefits	\$ 185,051,954	\$ 259,675,318	\$ 3,620,901	\$ 448,348,173

The accompanying notes are an integral part of the financial statements.

City of Lansing
Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Postemployment Benefit) Trust Funds
For the Year Ended June 30, 2004

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Totals June 30, 2004
Additions				
Contributions				
Employer	\$ 3,465,937	\$ 3,286,596	\$ 273,095	\$ 7,025,628
Plan members	4,867,614	2,107,924	18,731	6,994,269
Investment income (loss)				
Realized/unrealized gain (loss) on investments	16,823,112	21,983,601	633,579	39,440,292
Interest income	3,313,889	4,149,972	69,677	7,533,538
Dividend income	543,238	2,981,300	-	3,524,538
Less investment expenses	820,187	764,485	-	1,584,672
Net investment income	19,860,052	28,350,388	703,256	48,913,696
Total additions	28,193,603	33,744,908	995,082	62,933,593
Deductions				
Benefits paid to plan members & beneficiaries	13,115,046	17,702,909	3,093,014	33,910,969
Administrative expense	6,749	748	15,802	23,299
Total deductions	13,121,795	17,703,657	3,108,816	33,934,268
Net increase (decrease)	15,071,808	16,041,251	(2,113,734)	28,999,325
Net assets held in trust for pension benefits, beginning of year	169,980,146	243,634,067	5,734,635	419,348,848
Net assets held in trust for pension benefits, end of year	\$ 185,051,954	\$ 259,675,318	\$ 3,620,901	\$ 448,348,173

The accompanying notes are an integral part of the financial statements.

III Statistical Section - Unaudited

City of Lansing

Table 1

General Government Expenditures by Function - Unaudited Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	General Government	Public Safety	Highways Streets & Sanitation	Recreation & Forestry	Other Current Operating Functions	Capital Improvements	Debt Service	Total
1995	38,181,035	26,109,356	1,580,006	4,905,500	1,809,503	-	6,519,698	79,105,098
1996	38,431,505	27,466,390	1,644,852	5,301,870	2,175,199	949,790	5,522,414	81,494,020
1997	41,324,182	29,020,008	1,912,124	5,357,320	2,149,177	-	4,682,986	84,445,797
1998	42,830,367	30,717,779	1,891,131	5,631,947	2,152,265	-	4,414,774	87,638,263
1999	45,468,182	30,969,168	1,963,583	5,731,151	2,103,340	-	4,605,066	90,840,490
2000	46,560,643	32,540,064	1,941,559	5,970,697	2,189,257	-	4,888,861	94,091,081
2001	45,820,100	30,320,012	2,088,520	5,855,827	2,354,102	-	5,526,209	91,964,770
2002	46,621,310	31,425,523	2,069,940	6,108,158	2,395,721	-	5,159,772	93,780,424
2003	50,823,368	32,069,212	1,960,101	6,221,089	2,531,310	-	2,996,819	96,601,899
2004	51,022,462	32,742,214	2,035,744	6,042,375	2,559,118	-	3,174,441	97,576,354

NOTE: This statement includes expenditures reported in the General Fund, and Debt Service Funds.

City of Lansing

Table 2

General Government Revenues by Source - Unaudited Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Taxes and Special Assessments	Licenses and Permits	Inter- Governmental	Charges for Services	Fines and Forfeits	Interest	Contributions	Miscellaneous	Total
1995	50,323,603	1,339,812	17,698,116	7,589,851	2,636,608	1,465,703	5,946,271	227,874	87,227,838
1996	51,870,546	1,469,071	18,429,686	7,573,660	2,812,087	1,688,707	6,340,387	331,939	90,516,083
1997	53,170,786	1,302,672	21,220,828	7,946,618	3,103,904	1,902,485	6,187,762	114,743	94,949,798
1998	53,295,737	1,655,243	19,986,784	8,791,357	3,306,649	2,042,915	6,253,764	99,073	95,431,522
1999	55,600,921	2,261,113	20,093,935	9,696,473	3,606,791	1,825,471	6,447,022	118,091	99,649,817
2000	57,080,136	2,777,274	21,594,707	10,145,040	3,910,984	1,628,910	6,548,556	468,551	104,154,158
2001	57,319,659	645,087	22,180,479	7,475,021	3,578,632	1,267,015	6,716,768	357,476	99,540,137
2002	60,442,894	976,332	21,202,213	8,651,949	4,050,234	643,190	7,542,754	250,277	103,759,843
2003	62,378,892	925,455	19,435,110	9,257,508	4,696,311	523,619	8,893,208	169,836	106,279,939
2004	62,108,536	814,990	17,726,534	9,544,059	4,064,161	220,396	8,718,450	157,895	103,355,021

NOTE: This statement includes revenues reported in the General Fund and Debt Service Funds.

City of Lansing

Table 3

Property Tax Levies and Collections – Unaudited Last Ten Fiscal Years

30-Jun	Property Tax Levy	Current Tax Collection	Percent of Levy Collected	(1) Delinquent Tax Collection	Total Tax Collection	Collections as a Percent of Levy
1995	31,052,100	30,916,625	99.56%	(24,493)	30,892,132	99.48%
1996	31,549,341	31,495,388	99.83%	19,546	31,514,934	99.89%
1997	33,626,394	33,561,067	99.81%	11,500	33,572,567	99.84%
1998	33,360,681	33,269,198	99.73%	(402)	33,268,796	99.72%
1999	34,984,481	34,887,287	99.72%	70,749	34,958,036	99.92%
2000	35,027,907	34,886,808	99.60%	48,074	34,934,882	99.73%
2001	35,547,497	35,330,288	99.39%	18,522	35,348,810	99.44%
2002	36,357,748	36,208,985	99.59%	59,625	36,268,610	99.75%
2003	37,310,656	37,041,662	99.28%	(97,842)	36,943,820	99.02%
2004	38,267,514	37,826,436	98.85%	58,255	37,884,691	99.00%

(1) Net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

City of Lansing

Table 4

Assessed and Market Value of Taxable Property – Unaudited Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property Valuation	Personal Property Valuation	Total Assessed Valuation	Market Value
1995	1,375,760,015	245,568,950	1,621,328,965	3,242,657,930
1996	1,397,575,065	256,327,150	1,653,902,215	3,419,995,740
1997	1,467,989,483	286,476,195	1,754,465,678	3,508,931,356
1998	1,514,616,050	313,545,380	1,828,161,430	3,656,322,860
1999	1,593,000,290	330,098,200	1,923,098,490	3,846,196,980
2000	1,697,114,303	354,475,087	2,051,589,390	4,103,178,780
2001	1,814,591,830	305,623,290	2,120,215,120	4,240,430,240
2002	2,079,145,930	289,408,415	2,368,554,345	4,737,108,690
2003	2,247,479,770	304,627,500	2,552,107,270	5,104,214,540
2004	2,438,968,070	287,439,600	2,726,407,670	5,452,815,340

NOTE: Includes equivalent value of tax abated properties.

Source: City Assessor's Office.

City of Lansing

Table 5

Property Tax Rates - Direct and Overlapping Governments (1) (2) – Unaudited (Per \$1,000 of Assessed Value) Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Operating Millage	Debt Service Millage	Total City Millage	County Millage	School Millage	State Education	Community College Millage	(3) Other Millage	Total
1995	1994	15.04	2.36	17.40	7.67	20.07	6.00	2.98	6.09	60.21
1996	1995	15.04	2.36	17.40	7.67	19.72	6.00	2.94	6.07	59.80
1997	1996	15.04	2.36	17.40	7.55	19.90	6.00	2.94	6.06	59.85
1998	1997	15.04	2.06	17.10	7.61	18.88	6.00	2.94	7.43	59.96
1999	1998	15.04	2.06	17.10	7.61	18.94	6.00	2.94	7.41	60.00
2000	1999	14.90	2.06	16.96	7.61	19.52	6.00	2.92	7.36	60.37
2001	2000	14.90	2.06	16.96	7.61	19.04	6.00	2.92	7.62	60.15
2002	2001	14.40	2.06	16.46	7.61	19.10	6.00	3.89	7.59	60.65
2003	2002	14.90	1.03	15.93	8.11	19.01	6.00	3.87	8.34	61.26
2004	2003	14.90	1.03	15.93	8.11	19.06	5.00	3.85	8.89	60.84

Notes: (1) Rates for Ingham County and Lansing School District only.

(2) Since 1995 this is the Non-homestead rate.

(3) Includes Intermediate School, Airport Authority, Capital Area Transit Authority and Capital Area District Library (began in FY 98).

City of Lansing**Table 6****Special Assessment Billings and Collections - Unaudited
Last Ten Fiscal Years**

Fiscal Year Ended 30-Jun	Special Assessment Billings	Special Assessments Collected
1995	93,834	215,037
1996	182,457	217,693
1997	16,411	181,325
1998	438,683	169,916
1999	96,655	132,948
2000	665,430	244,182
2001	271,452	327,471
2002	(103,940)	92,036
2003	503,740	172,666
2004	(97,933)	317,003

Note: Capital project assessments only. Does not include annual maintenance assessments.

City of Lansing

Table 7

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Unaudited Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Population(1)	Assessed Value(3)	Gross Bonded Debt(2)	Debt Service Moneys Available	Debt Payable From Enterprise Revenues & Special Assessments	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	127,400	1,621,328,965	111,089,608	1,124,021	47,109,686	62,855,901		
1996	127,400	1,653,902,215	115,803,602	1,375,679	50,880,106	63,547,617	0.0388	493
1997	127,400	1,754,465,678	118,363,721	1,517,293	53,404,646	63,441,782	0.0384	499
1998	127,400	1,828,161,430	123,443,265	1,206,355	56,970,391	65,266,519	0.0362	498
1999	127,400	1,923,098,490	121,478,788	992,002	77,835,655	42,651,131	0.0357	512
2000	127,400	2,051,589,390	128,099,643	865,317	86,471,510	40,762,816	0.0222	335
2001	119,128	2,120,215,120	128,819,227	266,393	93,171,094	35,381,740	0.0199	320
2002	119,128	2,368,554,345	135,999,133	28,496	102,232,751	33,737,886	0.0167	297
2003	119,128	2,552,107,270	140,043,000	7,524	110,419,899	29,615,577	0.0142	283
2004	119,128	2,726,407,670	166,581,000	42,852	145,505,724	21,032,424	0.0116	249
							0.0077	177

NOTE:

- (1) Population per decennial census by the U.S. Census Bureau.
- (2) Includes all general obligation debt and special assessment debt with governmental obligation.
- (3) The tax assessment day is December 31 prior to beginning of fiscal year.

City of Lansing

Table 8

Computation of Legal Debt Margin - Unaudited June 30, 2004

Assessed value, real and personal property (1)	\$ 2,758,192,967
Assessed value equivalents (2)	<u>136,667,300</u>
Total valuation	<u>\$ 2,894,860,267</u>
Legal debt margin	
Debt limitation - 10 percent of total valuation	\$ 289,486,027
Debt applicable to limitations	
Total bonded debt	\$ 222,493,000
Less	
Special assessment bonds	45,000
Sewage Disposal revenue bonds	55,220,784
CSO bonds	80,013,225
Amounts available for repayment of debt	<u>42,852</u>
Total debt applicable to limitation	<u>87,171,139</u>
Legal debt margin	<u>\$ 202,314,888</u>

(1) At 12/31/00, for taxes to be levied 7/1/01.

(2) Per state statute, calculated by dividing the sum of the following amounts by the city's millage rate:

- a. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 198 of the Public Acts of 1974.
- b. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 255 of the Public Acts of 1978.

City of Lansing

Table 9

Computation of Direct and Overlapping Bonded Debt – Unaudited General Obligation Bonds June 30, 2004

Name of Governmental Unit	Net General Obligation Bonded Debt Outstanding	% Applicable to City	Amount Applicable to City
Direct - City	\$ 21,285,281 (1)	100.00%	<u>\$ 21,285,281</u>
Overlapping			
Eaton Intermediate School District	2,055,000	0.55%	\$ 11,303
Waverly School District	46,075,000	0.25%	115,188
Lansing School District	77,830,000	86.97%	67,688,751
East Lansing School District	82,475,064	4.55%	3,752,615
Holt School District	113,890,054	3.13%	3,564,759
Ingham Intermediate School District	440,000	28.11%	123,684
Ingham County	38,490,959	32.25%	12,413,334
Eaton County	14,999,976	1.93%	289,500
Lansing Community College	58,950,000	23.77%	14,012,415
Okemos School District	46,698,000	2.88%	1,344,902
Grand Ledge	54,990,000	1.09%	599,391
Total Overlapping Debt			<u>103,915,841</u>
Total Direct and Overlapping Debt			<u>\$125,201,122</u>

(1) Excluding general obligation bonds reported in the enterprise funds, special assessment debt with government commitment and amount available for repayment in the debt service fund.

City of Lansing

Table 10

Ratio of Annual Debt Service for General Obligation Bonded Debt (1) to Total General Governmental Expenditures - Unaudited Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Principal	Interest(2)	Total Debt Service	Total General(3) Governmental Expenditures	Ratio Debt Service To General Governmental Expenditures (Percent)
1995	2,683,836	2,938,208	5,622,044	79,105,098	7.11%
1996	2,125,000	2,769,749	4,894,749	81,494,020	6.01%
1997	2,275,000	1,261,735	3,536,735	84,445,797	4.19%
1998	2,665,000	1,345,248	4,010,248	87,638,263	4.58%
1999	2,850,000	1,259,893	4,109,893	90,840,490	4.52%
2000	3,195,000	1,165,861	4,360,861	94,091,081	4.63%
2001	3,780,000	1,056,686	4,836,686	91,964,770	5.26%
2002	3,460,000	1,030,825	4,490,825	93,780,424	4.79%
2003	1,440,000	871,345	2,311,345	96,601,899	2.39%
2004	1,510,000	806,248	2,316,248	97,584,514	2.37%

(1) General obligation bonds reported in the enterprise and special revenue funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general and debt service funds.

City of Lansing
Table 11A
Schedule of Bond Coverage – Unaudited
Municipal Parking System Fund Bonds (4)
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	(3)	Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (1)
			Principal		Interest	Total		
1995	(3)	5,242,568	3,178,488	2,064,080	35,000	977,177	1,012,177	2.04
1996		6,574,366	3,396,481	3,177,885	465,000	1,600,543	2,065,543	1.54
1997		7,031,243	3,329,415	3,701,828	595,000	1,402,952	1,997,952	1.85
1998		6,848,019	3,257,757	3,590,262	625,000	1,373,545	1,998,545	1.80
1999		7,085,473	3,597,530	3,487,943	655,000	1,258,195	1,913,195	1.82
2000		7,490,165	3,993,315	3,496,850	690,000	1,143,550	1,833,550	1.91
2001		8,029,967	3,773,187	4,256,780	720,000	1,109,988	1,829,988	2.33
2002		7,763,065	3,750,268	4,012,797	755,000	1,073,858	1,828,858	2.19
2003		7,642,684	3,667,542	3,975,142	795,000	1,035,228	1,830,228	2.17
2004		7,504,144	3,872,290	3,631,854	835,000	979,224	1,814,224	2.00

(1) Coverage is defined as net revenue available for debt service divided by debt service requirements.

(2) Operating expenses less depreciation.

(3) Advanced refunding of debt resulted in lower than usual principal and interest payments for 1995.

(4) Debt service payments are budgeted and expended within the Parking System. These bonds also carry a limited tax general obligation pledge.

City of Lansing

Table 11B

Schedule of Revenue Bond Coverage – Unaudited Sewage Disposal System Fund Revenue Bond Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Gross Revenue	(B) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage(A)
		Principal		Interest	Total		
1995	17,743,349	9,925,650	7,817,699	2,075,000	2,733,660	4,808,660	1.63
1996	20,137,924	10,113,705	10,024,219	2,100,000	2,750,865	4,850,865	2.07
1997	20,867,394	10,004,525	10,862,869	2,235,000	2,624,340	4,859,340	2.24
1998	21,107,381	9,996,022	11,111,359	2,370,000	2,492,280	4,862,280	2.29
1999	21,623,804	10,528,286	11,095,518	2,180,000	1,656,475	3,836,475	2.89
2000	24,193,795	10,574,104	13,619,691	3,065,000	1,976,600	5,041,600	2.70
2001	25,841,763	10,592,681	15,249,082	3,190,000	1,854,090	5,044,090	3.02
2002	26,963,775	11,209,711	15,754,064	3,320,000	1,723,253	5,043,253	3.12
2003	26,196,518	11,543,509	14,653,009	3,475,000	1,723,253	5,198,253	2.82
2004	26,601,646	12,775,001	13,826,645	3,715,000	1,786,328	5,501,328	2.51

(A) Coverage is defined as net revenue available for debt service divided by debt service requirements exclusive of general obligation debt.

(B) Operating expenses less depreciation.

City of Lansing

Table 12

Demographic Statistics - Unaudited Last Ten Fiscal Years

Year	Population(1)	Median Age(2)	School Enrollment(3)	Unemployment % Rate(4)	Labor Force(4)
1995	127,400	30.92	19,376	4.9	63,725
1996	127,400	31.16	19,267	4.9	64,325
1997	127,400	31.40	20,013	2.9	66,275
1998	127,400	31.64	19,049	4.1	66,425
1999	127,400	31.88	18,443	4.2	66,550
2000	119,100	31.40	17,836	4.7	68,300
2001	119,100	31.56	17,586	4.5	67,725
2002	119,100	31.72	17,490	5.6	67,700
2003	119,100	31.88	17,600	6.7	65,325
2004	119,100	31.96	16,927	7	63,750

(1) Population per decennial census by the U.S. Census Bureau.

(2) 2000 data from U.S. Census Bureau. Data for other years estimated by City of Lansing Finance Department.

(3) Annual school census from the Lansing School District.

Figures included private school enrollment thru 1993; information no longer available.

(4) Michigan Department of Career Development: Employment Service Agency - Labor Market Information.

City of Lansing
Table 13
Property Value and Construction - Unaudited
Last Ten Fiscal Years

Fiscal Year	Commercial Construction(1)		Residential Construction(1)		Non-Taxable Construction(1)		Property Value*(2)	
	Number of Units	Value	Number of Units	Value	Number of Units	Value	Commercial	Residential
1995	47	40,333,592	78	13,955,957	4	2,862,793	1,620,992,330	1,722,143,600
1996	155	26,662,518	60	6,790,675	2	31,700,800	1,667,979,400	1,752,016,340
1997	**	**	**	**	**	**	1,706,111,856	1,802,819,500
1998	284	71,145,105	43	11,040,108	2	972,473	1,773,967,600	1,882,355,200
1999	280	128,740,243	74	21,090,617	10	8,937,703	1,848,569,600	2,003,271,800
2000	246	247,879,211	67	19,928,424	7	3,305,000	1,990,006,580	2,113,172,200
2001	247	70,161,126	40	8,525,127	8	5,802,000	2,001,607,380	2,238,822,860
2002	235	30,765,104	85	16,498,209	16	8,778,098	2,360,109,190	2,376,999,500
2003	311	61,909,724	53	20,530,387	10	3,124,000	2,525,357,440	2,578,857,100
2004	332	102,849,308	76	12,097,433	16	6,828,800	2,602,349,140	2,850,466,200

SOURCE:

(1) City of Lansing Building Office.

(2) City of Lansing Assessor.

*Estimated actual value (non-taxable property values unavailable; not required by State of Michigan).

**Not available.

NOTE: Construction value includes additions and alterations to existing structures.

City of Lansing**Table 14****Principal Taxpayers - Unaudited
June 30, 2004**

Taxpayer	Total Assessed Valuation	Percentage of Total Assessed Valuation
General Motors	\$ 223,100,800	7.71%
Jackson National Life Insurance Company	31,786,400	1.10%
525 Redevco Inc	25,976,200	0.90%
Capitol Outlook LLC	23,029,300	0.80%
Consumers Energy	22,043,400	0.76%
Lansing Retail Center LLC	15,544,200	0.54%
Accident Fund Company	13,724,200	0.47%
Sprint Spectrum L.P.	13,454,600	0.46%
Cricket Communications Inc	13,391,600	0.46%
Trappers Cove LTD Partners	13,198,200	0.46%

Includes equivalent value (tax divided by tax rate) of property granted tax relief.

City of Lansing

Table 15

Miscellaneous Statistics - Unaudited June 30, 2004

Date of Incorporation	1859
Form of government	Council-Mayor
Number of employees (excluding Police & Fire)	
Union	695
Non-union	73
Area in square miles	34.68
Facilities and Services	
Miles of streets	410.39
Culture and Recreation:	
Parks	114
Parks acreage	2223.77
Golf Courses	4
Golf Course acreage	318
Fire Protection	
Number of stations	9
Number of firefighters (sworn)	235
Police Protection	
Number of stations	3
Number of officers	249
Sewage System	
Miles of sanitary sewers	331
Miles of storm sewers	211
Miles of combined sewers	213

City of Lansing

Table 16

Water Consumption by User Classification – Unaudited Fiscal Years Ended June 30, 1995 through 2004

Fiscal Year	Residential	Commercial	Industrial	Total Water Consumption CCF	Percentage Change(1)
1995	3,032,308	2,630,336	853,518	6,516,162	-4.07%
1996	3,065,508	2,771,980	776,037	6,613,525	1.49%
1997	3,019,529	2,715,153	958,093	6,692,775	1.20%
1998	3,012,012	2,661,809	754,084	6,427,905	-3.96%
1999	2,864,687	2,605,759	575,362	6,045,808	-5.94%
2000	2,764,510	2,543,847	546,830	5,855,187	-3.15%
2001	2,675,050	2,463,041	592,603	5,730,694	-2.13%
2002	2,674,901	2,453,988	709,225	5,838,114	1.87%
2003	2,686,170	2,500,847	724,622	5,911,639	1.26%
2004	2,628,378	2,560,232	622,765	5,811,375	-1.70%

(1) Water consumption declined in certain years because:

- a. Rainfall was higher than normal thereby reducing water use for lawn sprinkling by residential and commercial customers.
- b. Industrial customers are increasingly recycling their water in an effort to reduce the cost of complying with pretreatment requirements.

City of Lansing**Table 17****Percentage of Water Consumption by User Classification - Unaudited
Fiscal Years Ended June 30, 1995 through 2004**

Fiscal Year	Residential	Commercial	Industrial	Total
1995	46.50%	41.30%	12.20%	100.00%
1996	46.50%	40.40%	13.10%	100.00%
1997	46.40%	41.90%	11.70%	100.00%
1998	45.10%	40.60%	14.30%	100.00%
1999	47.40%	43.10%	9.50%	100.00%
2000	47.20%	43.40%	9.40%	100.00%
2001	46.70%	43.00%	10.30%	100.00%
2002	45.80%	42.00%	12.20%	100.00%
2003	45.40%	42.30%	12.30%	100.00%
2004	45.20%	44.10%	10.70%	100.00%

City of Lansing

Table 18

Ten Largest System Customers by Water Consumption - Unaudited Fiscal Year Ended June 30, 2004

Customer	Principal Product or Service	Water Consumption (CCF)
GM-NOA-LAD	Automotive	\$ 533,733
City of Lansing	Government Offices	174,471
State of Michigan	Government Offices	115,296
Ingham Regional Medical Center	Hospital	100,438
Sparrow Hospital	Hospital	87,902
Frandonson Properties	Property Management	66,028
Biopart	Pharmaceuticals	65,970
Lansing School District	Education	57,703
DTN Management	Property Management	56,896
Lansing Housing Commission	Housing	51,831